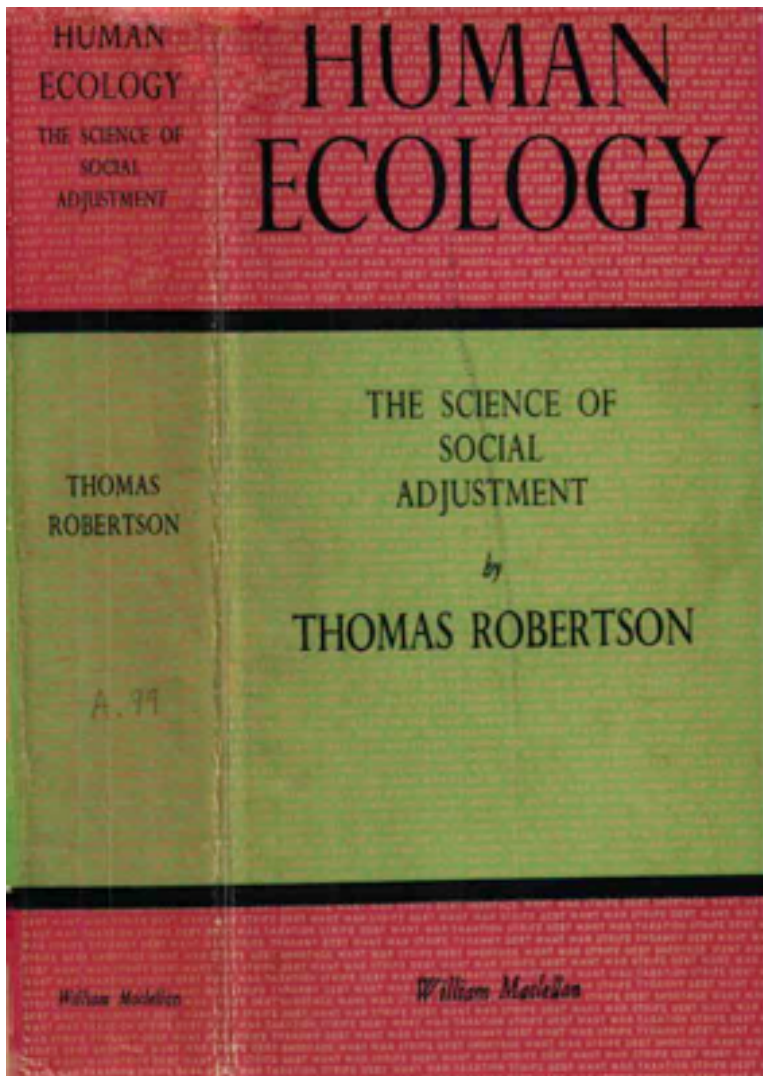


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*Thanks are due for permission to quote at length from special articles in the Picture Post and from Dr. C. K. Allen's article in the Sunday Times. The Social Crediter, the Liverpool organ of the Social Credit Secretariat, has provided the mainstay of the excerpt from the Canadian Government (1939) Report on Banking and Commerce, the statement of Lincoln's Monetary Policy, and several other smaller quotations; and has been a great time saver by the provision of facts and figures.*

*Although the above government report was out of print, the author, through the kindness of the Canadian Trade Commissioner in Glasgow, was gratified to receive on loan the only copy in the possession of Canada House, London.*

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# **Human Ecology**

# Human Ecology

*The Science of  
Social Adjustment*

by

**THOMAS ROBERTSON**



**WILLIAM MACLELLAN**  
**HOPE STREET    GLASGOW**

**To**  
**A. G. P. W.**

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## PREFACE

In presenting these views there seemed three choices. Since the several theses, are, in my opinion, basic to human society and therefore independent of any specific social framework, they could have been presented as such. Secondly, they could have been conveyed more succinctly by assuming on the part of the general reader a technical knowledge of some half-dozen subjects. But as both methods would have limited the accessible public, the present form, long as it is, has been chosen in the hope of interesting the widest circle of readers. From those with specialised knowledge forbearance is therefore asked.

Then the task of fitting the theses into the present social framework has had its own difficulties, chief of which was the impossibility of keeping abreast of the times owing to the delays in printing and publishing and to the extraordinary speed of events. To assist the reader, therefore, it should be said that my ideas took shape from about 1930 onwards; and several visits to France, Spain, Germany, and elsewhere in the ensuing years convinced me that a second world war was inevitable and imminent, and hastened the urge to think out these terrible problems and commit them to written order.

Lack of time and strength made this impossible until 1941, when a catastrophic air-raid wrecked my house and dispersed my work. The first draft of the MS was hence written between the spring of 1941 and the summer of 1942. It was subsequently rearranged and tidied up, receiving its present form in 1942-1944. Yet a further four years have proved necessary before its appearance in print. Aggravating though these delays were, they have turned out to be providential, as publication will now coincide with the first impact of those economic and social disasters so long adumbrated.

Since 1944 the text has been emended and much relevant evidence added, so as to keep it as up-to-date as possible. But as spare time has again become a problem, the emending is in parts scrappy, and



where facts have been outdated, the reader is safeguarded by the insertion of the original date in brackets. Then the time framework has another significance. Much of the analysis is devoted to "the shape of things to come." The passage of time has overtaken some of the events discerned, many are in process of arrival and others are still to appear. To me these are not matters of personal satisfaction but added corroboration of the factual analysis.

Two other points deserve explanation. The reader will observe that the stress is on the mechanistic as distinct from the personal or ethical aspects: not because these are unimportant, but because the latter have for long been over-stressed, or wrongly stressed, to the neglect of the former.

Then I have resisted the desire to probe into the origins of the "mythopœic faculty." These are of course deeply rooted in the emotional nature; but here we should have to invoke psychology, and in the last resort religion, which large and important realms can only be touched on here very briefly.

My views are clearly along unorthodox lines and have been expressed with the highest measure of personal independence since my status and livelihood obligate me to no caucus or persons. Yet these views would be practically worthless, no matter what their inherent value, if they were not timeous, or if they were isolated from current trends of thought. It has been a source of great encouragement to me to observe during the years of mental gestation, and especially during the past seven years, the satisfactory degree to which this analysis dovetails into the work of so many contemporary writers.

Perhaps it is fitting to observe that I have no conscious animus towards the people of Russia, of the U.S.A., or indeed of any other people. My continual pre-occupation has ever been with individual men and women; and a long and varied experience, chiefly with humble folks of divers nationalities, has brought me to love them everywhere and to long with all my heart to see manifested in our social institutions that goodness and friendliness which are the hall-mark of the vast majority. Further, it is my studied intention, difficult as it sometimes is, to abstain also from animus towards the leaders of society. The sorry scheme of things to-day is not the consequence of intention or plan on the part of super-men, but has developed by the operation of countless ill-understood forces and factors, of which those leaders are the inevitable outcome.

My ideas are addressed primarily to the English-speaking peoples. It is they who have so long and so successfully defended their individual freedom; and if the world is to be rescued from the present inundation of tyranny, it is the ineluctable duty of those peoples to lead the van. The nations of the world are even now in the melting-pot. Yet in this dreadful situation what consideration is given to the millions of plain folk in every country? What regard is there for individual men and women? Have the true forces and factors been anywhere disclosed? Time is short and I sincerely hope that the many at present separate organisations which can find a common denominator in these views, will be able to unite on a plan of campaign.

And now for personal acknowledgments. On the distaff side thanks are due to the Misses Mathieson, Gemmell and Jackson, who between them in their leisure hours and amidst the alarms of total war volunteered to type nearly 2000 pages of manuscript.

Then a debt is owed to those personal friends too numerous to name, who read the MS. and gave me the benefit of their opinions. Valuable specialist criticism was tendered by Mr. A. Hamilton MacIntyre, C.A.; Mr. James A. A. Porteous, Scottish economist and writer; my brother, Mr. J. Fyfe Robertson, professional journalist; and my brother-in-law, Mr. Peter Temple, engineer and artist, whose clear thinking has enlivened thirty-five years of friendship. Especial thanks are due to the Rev. Professor G. H. C. Macgregor of Glasgow University, who most painstakingly read through the manuscript from its inception, encouraged me with his friendship, and provided a salutary corrective to many personal faults. It is right to observe, however, that none of these critics is in any way committed to my views, for which I bear the sole responsibility. Indeed, none has had the opportunity of reading the definitive copy of the script.

To conclude, the devotion to the scientific method of which these views are the outcome, owes its genesis to two exceptional mentors, Mr. William Gentle, F.R.S.E., for long the head of George Heriot's, my old school in Edinburgh; and Sir John Graham Kerr, F.R.S., M.P. for the Scottish Universities, whose personality and teaching in biological science were the unique privilege of so many Glasgow undergraduates. If these old teachers should disapprove of the findings I trust they will approve of the spirit by which my enquiries have been animated.

GLASGOW, *August*, 1947.

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THE WORLD OF DISEASE

THE ABRACADABRA OF FINANCE

THE MYTH OF MONEY

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POLITICAL PLANNING

ORGANISED RELIGION

REFORM BEGINS AT HOME

THE PATH OF RETURNING

THE SHARP QUESTIONS

# Part One

*As restrictions and prohibitions are multiplied in the Empire, the people grow poorer and poorer. When the people are subjected to overmuch government, the land is thrown into confusion. When the people are skilled in many cunning arts, strange are the objects of luxury that appear.*

*The greater the number of laws and enactments, the more thieves and robbers there will be: Therefore the Sage says: "So long as I do nothing, the people will work out their own reformation. So long as I love calm, the people will right themselves. If only I keep from meddling, the people will grow rich. If only I am free from desire, the people will come naturally back to simplicity."*

Lao Tsu on Government.

*In many countries, where even united efforts would fall far short of what is needed, party strife and faction is fomented. or machine-made and skeleton fanatics rave at each other about their rival ideologies. All the while the ordinary folk of every country show themselves kindly and brave and serviceable to their fellow-men. Yet they are driven against one another by forces and organizations or doctrines as wantonly and as remorselessly as they ever were in the ages of absolute Emperors and Kings. There never was a time when a breathing space was more needed, a blessed convalescence, a truce of God and man.*

Winston Churchill (postwar speech).

## INTRODUCTION

In presenting yet another book on the popular theme of social reconstruction no apology would appear necessary; but the reader might expect a justification in view of the spate of plans and proposals for the supposed better ordering of society.

That such a theme is popular warrants at least a little optimism; but there for the most part our hopes end, since a review of the already extensive literature shows it to be largely the collation of existing ideas and theories furbished up and moving along the accepted orbits of thought.

But is it credible that the stern business of determining human events can be accomplished by the application of political abstractions, economic theories, or other existing ideas?

When we examine the present social order with its patent follies and injustices, its vulgarity, its false values and the terrifying rule of violence with its subjugation of the individual, we observe not so much a civilization as its demise.

If, then, a new culture is to arise out of the ashes of the old, its Genesis will only be possible as men achieve a totally different orientation to the life within and around them. When the time is ripe for new conceptions and their practical outworkings the basic orientation arrives subtly and slowly through the agency of many minds. Out of the ensuing welter or clash of forces and ideas there will finally emerge a fresh framework upon which will be constructed another civilization.

While pessimistic about the immediate future, since I believe that the liquidation of the old order is necessary and that men will

only act vigorously under the impact of strong events, I sense the beginnings of a rich and fruitful epoch for humanity. I believe that the framework of a new order is in fact being laid down and that it is now possible to discern the shape of the subsequent structure, in which conviction lies my chief justification for writing. If I were to state succinctly those features likely to characterise the next phase of human activity, I should say—a scientific direction of events, voluntary co-operation towards common objectives, with an inherent and acceptable dynamic as the driving force. The shaking up of society has thrown out numerous at present discrete groups wherein the new orientation is clearly manifest; but these groups cannot function effectively until united within a common matrix, to provide which is my present hope and intention.

In the following chapters I shall do my best to justify this attempt, but an arduous professional life has left me neither time nor opportunity to do full justice to it. Moreover, I have no specialised knowledge in any branch of learning, which will no doubt constitute an obvious handicap.

But is it not time to turn away from specialised activities while we co-ordinate and synthesise what we already know into some practical policy? My own views on such a policy will be duly presented, but it should be noted that they are not the result of academic study so much as my personal reaction to the pressure of events. Having been nurtured in the tradition of science I came for a time to disregard this, since I discovered that scientific knowledge, as taught to me, was insufficient for the grand purpose of living.

I discovered later that the abstraction called art was even less useful, that religion as I knew it was senseless, and philosophy mostly unreadable. For a short time the virus of socialism infected me. It was epidemic at that time, but a steady grip on reality soon quenched this malady and I have since remained immune to every political ideology. The antique world in due course attracted my attention and raised my hopes, but our vaunted Hellenic heritage proved worse than useless as a key to personal and social problems.

By a series of happy chances I finally became acquainted with the thoughts of that old world of Asia from which we Europeans have sprung. From the Hindu teaching I learned the real nature of religion and the true rôle of the mind, which, when improperly

used, is the destroyer of reality. To India in general, and to its religion and philosophy in particular, little as I yet know of them, I owe an infinite debt. In that sacred land there originated the religion of the Lord Buddha, to whose great teaching I owe my first glimpse of the life of the spirit and my first contact with a faith free from the stain of strife and bloodshed.

My understanding of the sublime truths thus fortunately disclosed, at first a distant apprehension, became richer and more significant as I thought and meditated over them. When their Significance became apparent the hollowness of European culture was exposed, and I saw that in the faulty use of the human mind lay in very truth the source of most of our social errors and the cause of nearly all human suffering.

My advance in reality had by now become considerable, but there was still a gap in the structure. I had latterly side-stepped the fields of finance, economics and politics, which still lay outside my framework of reference. Obviously there was a serious fault somewhere in these realms. Orthodox economics and finance shed no light on the matter, but about 1925 I came across the writings of C. H. Douglas, and later, of Kitson, Soddy, Jeffrey Mark, and many others. To Major Douglas my debt is boundless, for it was he who enabled me to grasp reality both in politics and finance; and it was to the writings of Jeffrey Mark that I first owed an understanding of the machinery of orthodox finance.

By studying this it was possible to assess the events of recent history and to see the various factors in proper perspective. We are being told that the "cause" of war and social disorder is primarily economic. This explanation is doubtless sufficient for those who have not perceived what I call "the first part"\* of banking, and hence the reason why it is popular with socialists, who are always financially orthodox. No doubt there are genuine factors (e.g. the natural distribution of raw materials), but in the last resort they rest at present upon financial factors; and the chief of these is the existence of a debt which is irredeemable by the inherent nature of the financial machinery and which must go on increasing to the point of self-destruction .

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\* See Chapter 4.



When we understand this, it is clear that the course of world history for many years is simply a function of debt, and it is against this background of debt that I have written.

I do not believe that any current political or economic theories either separate "nations" or determine their policies, internal or external. I believe that all "nations," being subject to the same play of financial forces, must in the long run pursue identical ends; that their respective peoples all suffer the common gamut of social disorders; that their individual subjects have less and less liberty as power is more and more centralised; and that in the end a chronic state of insoluble strife is engendered, despite the wishes and aspirations of the common folks.

But in any event, this much is certain. Men everywhere fear the "peace" more than the war. They perceive that the new order of society for whose birth they have striven and endured so long, does not appear even yet to have been conceived.

I believe, nevertheless, that a new order is historically imminent. I believe that however long men may yet stumble and strain in their ignorance, the opposition of a frustrated humanity will in the end sunder the bonds of tyranny. I believe that a necessity for this consummation is the destruction of the present society everywhere, which will collapse by its own internal stress and the gigantic burden of debt.

#### *MY AIM.*

At the present moment any approach to social phenomena is invariably bound up with personal opinions and, in the end, emotions. It is a tragic situation that men's passions should be aroused to such a fury that they are prepared to burn, slay and torture by way of vindication of their respective theories.

Can anyone imagine a physicist getting into a passion because someone asserted, say, that the intensity of light varied inversely as the square of the distance? Such a situation would be unthinkable because the statement is not one of personal opinion but of fact.

What, then, is the source of trouble when dealing with social phenomena? Can we not get away from opinions and come down to an incontrovertible basis of social scientific fact?

The answer is that not only can we do so, but we must do so without delay. We must abandon that useless method of dealing

with phenomena by the abstraction of supposed principles, and substitute scientific observation so as to discover the true connection of events.

Thus the aim of this book is to make a scientific approach to social phenomena and is a plea for a better and more extensive application of the scientific method. I am under no illusions as to the scope and limitations of this method, which is merely a device for giving understanding of and control over phenomena. It is not a device for the attainment of final reality.

It is sometimes supposed that our educational system is divided into two camps, classical and modern, and that the latter predominates. I shall show that all education is classical, that scientific training is largely vocational, and that the basic orientation to events, which is the essence of science, is chiefly conspicuous by its absence.

We have only to ask a few questions of any science graduate to verify this assertion. Moreover it is too apparent that even the vocational teaching of science is alarmingly defective in Great Britain. This is not due to the ineptitude of scientists. It is strictly a function of money, as is evident by a scrutiny of the inadequate laboratories, the wretched apparatus, and the financial pittance of the staff in any teaching institution.

In fact, the needs of industry and government, with the possible exception of Russia, are being starved for lack of scientific experience and training, while plenty potential students go untaught; though it is noteworthy that there are proportionately nearly eight times as many full-time students (aged 19-21) in U.S.A. as there are in England and Wales (*vide* Bernal's "Social Function of Science," Page 198), which again is but a reflection of the respective financial conditions.

My plea, however, is not so much for an increase in vocational scientific training as an increase in the use and scope of the scientific method. We in Europe have limited that method so far almost exclusively to the study of "natural philosophy." Here we postulate the reign of law by which, in so far as we unveil it, we have control over the phenomena.

But the reign of law also exists in every realm where consciousness exists. It is true that we cannot use the "objective" methods of science at the higher levels of consciousness. Here we are dependent

upon the trained observation of beings who can function at those levels, and such in short is the rôle of the genuine spiritual teachers. All of them have asserted the causal relationship in every domain of human conduct, and their messages constitute a genuine science of the spirit (the atma vidya of the Hindu) whose laws can be reprovén and verified by all who are willing, as in any other science, to follow the correct technique. This view is, of course, implicit in Christian teaching, but it is explicit in Hinduism and Buddhism and is essentially oriental; and I shall therefore contend that we must go to the East to recover that science of the spirit.

#### THE TECHNIQUE OF COMMUNICATION.

Now that I have described the general aim, I shall indicate how it is proposed to present it; and the first point concerns the technique of communication between writer and reader.

Writing is a technical device which depends on the use of words. In scientific writings no progress would have been possible without initial agreement as to the meanings of words. I am far from suggesting that scientific men have always realised this, or that they have provided a genuine framework of verbal reference. They have done so satisfactorily in physics, mathematics, chemistry and their correlated branches; and they have managed passably in biology; but in psychology, sociology, economics, politics and finance, the position is so deplorable that a genuine scientific structure in these realms is impossible. As they stand at present they are merely pseudo-sciences.

The terrible dangers of verbal usage are known to few people, but it is satisfactory to note that at least two great Englishmen were at pains to give due warning.

Francis Bacon averred that there were certain categories of error peculiar to the use of the human mind. He described four classes of "idola" or false methods of observing events, of which one was the "idola fori" or errors due to the influence of mere words over the mind; and the other was the "idola theatri" or false modes of thought engendered by accepted systems of philosophy. But of all the errors, Bacon regarded the faulty use of words as a grave and frequently a fatal flaw in the philosophies of his time.

Not long afterwards, John Locke in the justly esteemed third book of his "Essay on Human Understanding" devoted much energy to the exposition of the false use of words.

He says:—

When it is considered . . . . how much all sorts of knowledge, discourse and conversation are pestered and disordered by the careless and confused use and application of words, it will, perhaps, be thought worth while thoroughly to lay it open . . . . because the faults men are usually guilty of in this kind are not only the greatest hindrance of true knowledge, but are so well thought of as to pass for it. Men would often see what a small pittance of reason and truth, or possibly none at all, is mixed with those huffing opinions they are swelled with, if they would but look beyond fashionable sounds . . . . . I shall imagine I have done some service to truth, peace and learning if . . . . . I can make men reflect on their own use of language; and give them reason to suspect that . . . . . it may also be possible for them to have sometimes very good and approved words in their mouths and writings, with very uncertain, little or no signification . . . .

Locke, it is worth noting, divided science into three sorts—Physica, or the knowledge of things as they are in their proper beings; Practica, or the skill of rightly applying our powers; and Semeiotica (i.e. Semiotics or Semantics), or the nature of the signs the mind makes use of for the understanding of things or for conveying its knowledge to others.

My own approach to this subject of word communication began as a result of my efforts to study European philosophy and religion. I saw that much of the material in those realms consisted of little other than verbal hocus-pocus and that to search for reality therein was a disastrous waste of effort; and I observed that the same verbal camouflage also obscured the political ideologies.

By the practical study of Christian mysticism I came to the clear formulation of the relationship between things and their labels, and perceived the profound difference between knowing a thing and merely knowing *about* a thing. It was evident that words were dangerous double-edged tools, since their faulty use led to false conceptions.

There are two cardinal flaws. One is in the failure of mutual agreement as to meaning as between reader and writer. "Thus such well-worn word symbols as "man," "love," "thought" "nation," have each a variety of significations; and if such words are to be used it becomes necessary to reach agreement on their mean-

ings. The other cardinal flaw lies in the faulty use of abstractions by which we are subtly but successively removed from reality.

Regarding the danger of abstractions, the problem was difficult, and I shall here illustrate its nature. Let us consider the common situation wherein A says of B "Isn't she sweet?" This expression mentally conjures up B as the lucky possessor of an attribute called "sweetness." Such a conception is a source of much trouble, for it may have little or no reality. If we analyse the situation in the real world which called up the expression we usually find that under certain circumstances unspecified (? B hoping to have a proposal of marriage from A, or gratified at some other experience unknown to A) the mutual effect of the conduct of B and A upon each other produced the feeling in A called "sweetness." In other words, the sweetness is not something in B, but the product of a mutual reaction between the personalities of A and B under circumstances which may not be repeated. Suppose C has rashly assumed the existence of sweetness in B and meets her under quite other circumstances, the attribute would probably be missing! This instance also demonstrates the dangers of "is," which implies continuity of "being." Suppose A says of B "Wasn't she sweet?" Then indeed we should be more realistic in our interpretation.

Another example is this. X reports that Z hotel is excellent and its cooking first-class. On the strength of this Y goes to this hotel and is "very disappointed." His disappointment does not, however, lie in the hotel, but in his faith in abstractions. In the real world X was in room 29 and had a new spring mattress on his bed. But Y was in room 104 with an old mattress and where the horrid smell from the kitchen and the noise of an adjoining bathroom ruined his ease. Moreover, hotels do not cook—only humans do—and as the chef had meantime been sacked, and as his successor was a culinary pretender, the discomfiture of Y becomes understandable!

To see further into the dangers of word communication, let us look at the creditor-debtor relation, about which much will appear in due course. Now all know that a financial debtor is one who owes "money" to another, who is the creditor, and surely nothing could be simpler. If C lends D five imitation silver tokens called shillings the situation is simple. But suppose C lends D five Bank of England £1 notes, then other factors complicate the transaction. To begin with, the notes are no longer the King's money, but a

substitute created by a private company. This company might fail or it might manipulate the manufacture of the notes so that when D repaid C the five pounds would not buy nearly as much as when the loan was made; or the notes might be forgeries.

Suppose, now, that C lends D the same sum but gives him a cheque drawn on his bank account. In this transaction nothing resembling the original money changes hands. In fact, nothing changes hands. What happens is that a substitute for money created by another private company is negotiated by the manipulation of book entries in a ledger. The situation is now complicated further because of several new factors of which most people are ignorant.

The "money" being far removed in kind from the King's coinage, the original simple relationship of creditor and debtor no longer exists except by a legal fiction. Suppose, as is likely, that C's cheque was drawn on an overdraft, the resemblance of this transaction to the original loan is almost nil. In this case C has not lent money so much as "negative money." By signing the cheque he instructed the banking system to create £5 which had no previous existence,\* and thus the community's credit is increased. Actually the community's debt is also increased even more, because the bank now demands interest, and when the loan is repaid the bank cancels out or destroys £5, thus reducing the total of the community's money.

So we see that the creditor-debtor relation is one which no longer merely concerns two parties but has seriously involved everybody; yet, whatever the real situation, people are content to regard it still in the abstractionist light of one man lending another "five pounds." We see the danger of this orientation better if we consider what happens when C lends D a thousand million pounds by drawing a cheque on an overdraft.

If we call C "the people" and D "the government," we have then the theoretical situation when the latter raises "money" for a war. According to this conception (the orthodox one), the national debt is what the government owes to the people, and hence the government is a debtor and the people a creditor. If we now examine the words "government," "people," "nation" and "money" in terms of reality, we find that this apparently simple creditor-debtor

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\* An explanation of this statement will be duly made.

relation is only true when we attach the agreed meanings to these verbal abstractions. No one knows the facts because they have never been published, but it is reasonable to suppose that as much as 80 per cent. of the 1914-19 war debt was created by the bank overdraft technique,

In the realistic sense, then, the national debt is largely what the people owe to their financial institutions, and so we discover that the banking system is the creditor and the nation (the people) is the debtor, which is a complete reversal of the orthodox conception. In other words, and readers are duly warned, all depends upon the position from which high financial events are viewed, and the real situation is neither simple nor has it any analogy whatever to personal relationships.

I shall not apologise for this lengthy digression, because I want to bring home the difficulties of word communication in what follows. There is yet another difficulty contingent upon the use of words. Because we all misinterpret experience, chiefly, as I shall show, through the faulty use of language, the individual creates a framework of reference which is unrealistic and constitutes what I have called myth.

It is the acceptance of myth which makes the realistic significance of experience a painful and difficult process. This book is not a philosophy in so far as that word denotes a series of abstracted principles. But it is a philosophy in the sense that it provides a novel framework of reference. There is nothing entirely new in it, of course. All has been said before somewhere, but I have made a new presentation according to the method of realism, which will be largely unacceptable to those who imagine human affairs to be run according to supposed principles and who hold abstract conceptions of morals.

Examples of the latter outlook are to be found in those who believe that war is due to an abstraction called "badness" in men; or that war leads to an increase in another abstraction called "immorality," or who imagine that society is run according to "socialist" or "capitalist" or "christian" or "antichristian," etc., "principles." The tragedy of these beliefs lies in the fact that men are obliged to act upon them; but if the beliefs are divorced from reality, any subsequent action is valueless.

Thus, the above theory implies that to stop war somebody (who?) has to introduce the opposite or antidote of "badness" in somebody else's (whose?) heart; that somebody has to inculcate "morality" to destroy "immorality"; or that whatever 'ism is supposed to dominate society, the errors therein can only be removed by the counter-application of another 'ism. The scientific or realistic approach, on the contrary, sees war as the consequence of men's reactions to certain forces.

As for the war-time "great increase in immorality" which so agitated the leaders of the churches, what an inductive analysis shows is absurdly simple and has nothing to do with mysterious abstractions. Normal adult men and women are endowed with sexual functions which manifest themselves from time to time in bouts of activity. This activity is a vital and, in the long run, an undeniable, aspect of human nature which is unobtrusive so long as men and women have normal access to one another. But war obliges enormous numbers of lusty young adults to be deprived of this normal access, hence it is not surprising, considering the nature of the sexual urge, that a proportion refuse to endure the deprivation.

To analyse this important problem further, do the moralists consider copulation to be of itself "bad" or "wrong" or "immoral?" If so, does the device of marriage render it "good," "right" or "moral?" Suppose that all the soldiers, sailors, etc. practising "immorality" were duly demobilised and returned to a normal state of society. The "immorality" would at once disappear but has anybody's heart been changed? Has another "principle" been substituted? And suppose, as would be the case, that the sum total of copulation had been increased, would the moralists regard this without anxiety?

I contend that it is impossible to deal realistically with sexual or any other problems so long as one's mind is saturated with moralistic conceptions, or ideologies, or any other high-level abstractions; and I am certain that readers so motivated will not easily grasp what I have to say.

Regarding the use of abstractions here, the practical problem was difficult. Short of resorting to verbal and literary devices, which were likely to create other problems, I saw that it was impossible to abstain from abstractionism. The truth is that, unless a quite new



technique is invented, and I think it ought to be, abstractions and other methods of mental shorthand are inescapable necessities of communication, and are legitimate so long as reader and writer hold in mind mutually agreed meanings and have a common framework of reference. Putting the matter in the recent nomenclature, therefore, I have tried to make conscious and careful use of abstractions, with the suitable indication of "referents" where necessary. I regard attention to the technique of communication between writer and reader as of the first importance. It is for lack of it that many books of this sort are so much incomprehensible verbiage.

The use of abstractions and proper words has therefore been held in mind throughout and if I have slipped up anywhere I trust I shall be judged on the general intention rather than on the literal matter. Thus, when the reader comes across such words as "humanity," "the public," "man," "the church," "India," etc., he will remember that they are mental shorthand for a referent (i.e. "the object or situation in the real world to which the word or label refers," *vide* Ogden & Richards "The Meaning of Meaning") which will be either obvious or indicated.

I have to confess that the necessity of coping with abstractions has presented me with many difficulties, chiefly because bad habits die hard, and because awareness of this problem was not mentally formulated by me until a few years ago. It is satisfactory to note, however, that it has at last received wide attention, hence the new and very important science of semantics.

In writing this book I have made use of a number of expressions specific to it (phrases or proper words) which are appended in the form of a glossary. Where such expressions have a significance of special importance to the subject, the reader's attention will be called to it by the use of an initial capital letter; where they consist of words which have also other and more common meanings, such words will be capitalised and/or written between single "quotes." Of the latter there are several to which attention is specially called, viz: 'objective,' 'myth,' 'usury,' , 'reality,' , 'knowledge' and 'India.' In addition, it became necessary to devise new words to describe a method of approach to events; and 'abstractionism,' signifying "the system or method of abstraction."

*WHAT I HAVE TO SAY.*

It may assist readers to provide them with a bird's-eye view of what follows. The greater portion of the book consists of a scientific analysis of the present society, which, it is contended, consists of seven great mechanisms, arranged in the following order of dominance:

Finance  
Industry  
Sanctions  
Administration  
Politics  
Education  
Religion

This I regard as an absolutely inverted order of society; and, indeed, if the reader will reverse it he will put these social mechanisms into their natural or correct order.

The basic flaw, which is responsible for this tragic inversion, and which is the source of the terrible amount of human dissatisfaction, frustration and finally disease, lies in a special variety of human ignorance. It is, in short, the product of an erroneous mental approach to events, whereby any real measure of control over them is impossible. I shall contend that the only correct mode of approach is the scientific one and that society (i.e. men-in-co-operation) is equally amenable to the scientific method. This method, while well enough known, has never, in my opinion, been carefully applied to social problems because of the failure to perceive two basic factors. These are:

- (1) the real nature of man
- (2) the real nature of the financial system.

Much time has therefore been spent in an analysis of these two factors; but the main thesis is what is here called "the philosophy of mechanism," the key idea of which is that *those who use mechanisms subserve the ends inherent in the mechanisms.*

Men's relations to-day are no longer personal and direct but are conditioned by the interposition of a large number of social mechanisms. If, therefore, men wish to act aright, or to create a new order of society which will serve the true purposes of humanity, the most urgent task is to discover the precise objectives of the present

social machinery. Such a task is here attempted, with what results will in due course appear.

### *HOW THESE VIEWS ARE PRESENTED*

This book is divided into five parts:

- (Part One) This introduction and two chapters providing a general groundwork and expounding the philosophy of mechanism.
- (Part Two) Seven chapters dealing with the nature and 'objective' of the financial mechanism.
- (Part Three) Four chapters concerning the nature and rôle of the mind, especially as to its mythopœic function.
- (Part Four) An analysis of our present social mechanisms, in nine chapters, with special reference to their 'objectives' and their rôle as means to centralise power and destroy individual sovereignty.
- (Part Five) The final chapters of a constructive nature, showing the natural order of society, based on a new financial system, with human ecology as the controlling science, and a realistic religion as the matrix.

In presenting these views I have held in mind four things:

(a) I have tried, as far as possible, to avoid technical words which might suppose or imply my adherence to any particular doctrine whether in economics, politics, philosophy, psychology or religion.

(b) I have made frequent use of analogy and repetition. This I believe to be justified because I am presenting to the general reader something which is not easy and which of necessity covers a large technical field.

(c) I have tried to avoid all theories or speculations, especially in the realms of finance. The book does not propagate any person's theory or panacea and keeps to the facts on the scientific model.

(d) I have avoided detailed technical proposals as to political and financial reform, since I have neither the space nor the ability to deal with them.

In presenting these views I shall no doubt irritate those who have specialised knowledge of the subjects dealt with; but I have all along

held in mind the general reader. Being myself a victim of this pernicious society and daily witnessing the sufferings of my fellows, I have done my best to make a contribution to its reconstruction. I believe that men are indeed facing a major decision in human history, which decision concerns the place and function of the individual. Shall future development progress along a direction in which the individual must be subject to the (mythic) group? Or shall the individual proceed by free expansion towards the goal of self-development in mutual fellowship and co-operation, wherein organisations are only justified in so far as they serve him?

We can put it in another way. Does human development necessitate the use of force to coerce men along certain predetermined paths? The correct answers to these questions are of major importance, for on them will depend centuries of political and social evolution.

On the basis of human ecology and not as mere opinion, I am all for the individual as against the group; for freedom as against force; for the natural growth and expansion of society from within as against the imposition of plans from without.

This book is, therefore, an attempt at the scientific unveiling of the forces and factors at work in human society and is not an addition to political speculation.

In as far as in me lay, I have tried to write it dispassionately, and if any condemnation of my fellow men should appear, and especially of those called by destiny to the burden of high office, it is not a personal condemnation so much as an accusation of nescience.

That there are "evil" and "unscrupulous" men is certain, but they are in the great minority. I believe on the evidence that most men are well-intentioned, with a liberal sprinkling of idealism, but I also believe that these qualities are not sufficient since they cannot supplant knowledge.

What we much need is a new orientation in politics, both national and international, but the present leaders are incapable of understanding this. The saddest feature is the complete absence in them of penitence for the evils of the past.

Though the British people are very badly informed on affairs, they know that there is no prospect of a return to the old status quo. The British financial position is serious and the exploited "native" peoples will not supinely submit to a renewal of their economic

bondage. The internal affairs of the British Empire, or, to soft pedal it, the Commonwealth, are far from satisfactory, as any visitor to India, Africa, Canada, Ireland, Newfoundland, or the West Indies, can testify.

And yet, when all is assessed, I am of the opinion that the British are the least bad of a bad lot and that, by an appropriate financial reconstruction which is only possible meantime to U.S.A. and Britain, a true commonwealth of free peoples could be assured. If the English-speaking peoples were united on a correct financial policy, the foundation for world peace and plenty would be laid.

I believe that the setting up of a new order of society is contingent in the long run upon the creation of a new science of human ecology. This word will need exposition. It comes from the same root which gives us "economy." In its narrow biological sense it means the science of the influence of environment on living things, and is in practice an important, if not the most important, branch of botany. But it means more than this. It means the science of mutual adjustment between organism and environment, because each repercusses on the other. In its aspect as plant ecology it will prove of prime importance to the future of the human race, for without it we should probably starve and would certainly destroy the whole economy of nature.

Human ecology treats of the relationship between man and his environment and such a science is essential for the business of government. To be successful, however, it must not concern itself solely with the physical and material environment, but equally with the aesthetic, the mental and, in fact, every kind of environment with which men require to be adjusted for the full purpose of human life.

But a true human ecology will never be possible until we have freed ourselves from the present myopic conceptions of man and his goal. This myopia is due to an over-emphasis on intellectual knowledge and to an erroneous conception of the rôle of the mind; and especially to the demand for objective proof of reality and for its verbal statement.

I shall contend that knowledge in its widest sense is much more than this and that what is wanted is a new and more inclusive epistemology. This word, in its old style, means "the theory of the basis and methods of knowledge," and as such, in the worst specu-

lative sense, it has for long been a scapegoat of academic philosophy. But it is time that the basis and methods of knowledge were considered from the scientific point of view, in which case I believe we shall have much to learn from the East, at least in so far as concerns the higher modes of knowing.

But before these scientific developments can arise, the immediate future is fraught with the certainty of widespread suffering, in the midst of which men will require to take momentous decisions. There is no possibility of action, however, unless they can unite on a common basis, and this I have tried to provide. It must be confessed that the present time is in one respect inopportune. We are now (1946), and may be for some time to come, on an expansive monetary phase during which the majority have a much increased purchasing power.

If men are to think and act, they are most likely to do so while under pressure from unpleasant events. The war certainly provided these but, so far as Britain and the U.S.A. were concerned, hostilities did not directly affect more than a minority of the population. The one event which will affect all, however, will be the contractive monetary phase which will inevitably develop soon after war production stops.

There is nevertheless a brighter aspect to the picture. There are many people who are anxiously applying themselves to current problems, but have not managed so far to find a common meeting ground. The most likely recruits to the common cause will come from that very large majority who realise that both the people and the government are dominated by the banking machinery. They see that though it was difficult or impossible in peace-time to get the paltriest sum for the most necessary reform or purpose, unlimited money becomes mysteriously available for war, a phenomenon which has been repeated twice within one generation.

Then there are those who see the fraudulent nature of party politics and the corrupting power of the vested interests behind the scenes. Fortunately, a creditably large number of M.P.'s are keenly aware of this evil.

There are others who see in British imperialism something sinister—who know the story of "native" exploitation and are aware of the nature of our Indian administration. They know that autocratic domination has been made possible only by the use of

force, by imprisonment without trial, by concentration camps, by strong and often brutal police measures, by financial pressure, and in fact by all the well-known methods of dictatorships. They hear stories of the negro exploitation in the African copper, gold and diamond industries, of taxation tyranny, of expropriation of native land, and of the horrible conditions in the West Indies.

There are others who witness the decay in industry, in health, in agriculture and fisheries, in the treatment of the soil, and, in general, the gradual domination of society by the worst elements.

There are those who see the relegation of true artistic and mental culture to a position of impotence or of financial subservience to the status quo.

Then there is the prostitution and impotence of religion. Religious people have long known and deplored their position. They know that in spite of official backing and of a State church, the old abuses flourish in unrestrained luxuriance.

But what very few of these critics see is the causal nexus within which all such events exist. So long as men imagine that this or that abuse exists because of some wrong "principle," so long will remedial action be paralysed, but when the causal nexus of events is perceived, the source of all social evils becomes evident, and then only can effective measures be taken. Men will never purge society of its iniquities until they have seen its mechanisms in their reality; and they can only find a basis for united action in common objectives, never in common principles or ideologies or in other such chimeras of their minds.

To take wise decisions is at all times difficult. In the heat of personal animosities it is impossible. When social, national or racial hatreds are fomented to inflammatory heights, let everyone try to realise the unity and solidarity of all life, human, sub-human and super-human. What hurts one, hurts all. What helps one, helps all. There is no more dangerous abstraction than a narrow patriotism; no more dangerous dynamic than a righteous "principle."

With these warnings in mind, therefore, the reader is invited to the strenuous task of viewing another's orientation to social problems. Such a task, to be effective, will involve a challenge to opinions and institutions dear to many, and especially to the members of the middle and upper social classes whose power is,

or could be, enormous. Perhaps the hardest blows fall upon philosophy in general and Hellenism in particular, both of which claim the allegiance of many lovable people, whom I have no wish offend.

Nevertheless, there can be no new life in society without birth-pangs. The avoidance of suffering and exertion is impossible, but we can legitimately keep them minimal. It will mitigate the assault and create forbearance to state that my attack upon philosophy is a specific one. The achievements of European philosophy, and especially of Aristotle and St. Thomas Aquinas, are far from trivial. They are remarkable monuments to the powers of the rational process, but against them I lay two serious indictments.

The major one lies in this, that I do not believe the essential problems of philosophy can ever be solved by the human intellect; or, to put it in another way, I believe many of these problems to have no real existence, they being the artificial creations of the mind itself.

The other indictment is equally serious. The acute problems touching social and personal life are concerned with the control and direction of events—control of one's own thoughts, emotions and acts, and of corporate acts. I contend that the great systems of European, and especially of Greek thought, however remarkable, subtle and interesting, begin at the wrong end, and fail entirely to give men control either over themselves or their environment. To me there is conclusive proof from the pages of history, and especially Greek history.

I believe that men, racially speaking, are in a state of mental childhood; that the structure of truth, however lofty and however tenuous the upper atmosphere, can only be reared on the safe foundation of a broad empiricism—that is, observation and correlation of phenomena at all levels of experience.



YEARS OF THE MODERN

*Years of the modern! Years of the unperform'd!  
Your horizon rises, I see it parting away for more august dramas.  
I see not America only, not only liberty's nation but other nations preparing,  
I see tremendous entrances and exits, new combinations, the solidarity of  
races . . . .  
I see freedom, completely arm'd and victorious and very haughty, with law  
on one side and peace on the other;  
A stupendous trio all issuing forth against the idea of caste;*

*What historic denouements are these we so rapidly approach?  
I see men marching and countermarching by swift millions,  
I see the frontiers and boundaries of the old aristocracies broken,  
I see the landmarks of European kings removed,  
I see this day the people beginning their landmarks (all others give way);  
Never were such sharp questions ask'd as this day . . . . .*

*What whispers are these O lands, running ahead of you, passing under the seas?  
Are all nations communing? Is there going to be but one heart to the globe?  
Is humanity forming en-masse? For lo, tyrants tremble, crowns grow dim,  
The earth, restive, confronts a new era, perhaps a general divine war,  
No one knows what will happen next, such. portents fill the days and  
nights . . . .*

From  
"LEAVES OF GRASS"  
written by Walt Whitman about 1860.

# *Chapter One*

## THE RESTIVE EARTH.

The nations of the world have been joined in battle for the second time within one generation, and at no period in history have so many men suffered so much perplexity or anxiety.

And this situation is not a transient one destined to pass with the exercise of a little patience and endurance, for the present events are the apotheosis of long acting and deeply buried forces which have operated in our society for many centuries.

Nor is the question one merely of war or "peace." The horrors of total war have magnified this issue out of its proper proportions; but war is not an isolated event which descends upon society: it is the externalisation of strife upon other levels. Moreover, those who persist in regarding war as an interpolation into the normal flux of events, those who think of "peace" as a normal state of society, and war as an extrinsic event, have created a mental hiatus fatal to an understanding of these problems. War is, in effect, the very marrow of the present social organism and therefore an intrinsic part of the forces now moving society. Amongst these forces, the most potent and the least understood are the financial; and the background of all social and international events is that of a growing and uncontrollable debt.

In the light of this, then, let us take a brief review of recent history, firstly, however, warning the reader that when I refer to "Britain," "Germany," "France." etc., I do not mean a mystical abstraction which is supposed to act in all respects like a person. I merely refer to the financial oligarchy which, within the limits of the canon of debt, determines all "national" action in each respective geographical area.

For convenience we begin by noting that it was the centralisation of the debt-making apparatus in London which ensured the economic and imperial dominion of 19th Century Britain, and the financial bondage of a goodly portion of the rest of the world. But as all countries adopted the same financial technique, the world came to be constituted of a few big "creditors" each with his satellite "debtors." But big creditors, far from being rich in the common sense of having spare "money" to lend, have only a small amount of gold out of which greater and greater cycles of debt are generated from bank ledgers. In other words, the biggest creditor nations have always the biggest debts internally.

It was the inevitable pressure of this financial system which in 1914 threw Germany and its satellites against Britain and its satellites (including a financially desperate France). But such were the manufacturing powers of the combatants that they could make goods in quantities far in excess of the normal capacity of the monetary mechanism to liquidate them, and thus their respective monies came unstuck from gold and balanced budgets, in consequence of which all ended the war in 1919 with fantastic debts, national, local and industrial.

The Versailles Treaty was an attempt, chiefly on the part of the then French financial oligarchy, to destroy Germany economically; and the League of Nations, that egregious conception of "idealists," was little more than a moneylenders' organisation to support this policy. But the plan of the Versailles victors held one fatal flaw. The punishment of Germany was based on the supposition that the financial system as it was then known, would continue. That is, Germany would continue to create money based on gold and would play its part in the international market with a value fixed in the usual way in terms of other currencies. But such was the external and internal debt in Germany that inflation to infinity became inevitable. Two things then happened. The awful pressure of events created the Nazis, who proceeded to take the sting out of the Versailles Treaty by resorting to financial manipulations unrecked of by their military conquerors. The truth of this is plain to see, for without gold and with a currency virtually "worthless," the Germans succeeded in creating a military machine of such magnitude and might that they all but conquered the world

and for nearly six years of the most terrible conflict in history kept their foes at bay.

The converse also holds—that the initial and tragic ineptitude of Britain in the same combat was precisely due to the fact that this country was so encumbered by its old war debt that further re-armament was financially impossible, wherein lies the clue to the shameful fiasco of Munich.

The only belligerent country to end the first World War on the right side was the U.S.A. In 1776 that country had gained political but not economic, and still less financial, independence. When the world war began that great, industrious and rich country was a "debtor!" The war proved her financiers' golden opportunity and by 1917 her external debt had been liquidated and the flow of gold had begun. For a variety of reasons, notably the existence of high tariffs, this flow steadily continued until the world's gold currency reserves came almost entirely into the hands of U.S.A. bankers.

But in spite of the possession of so much gold, the U.S.A. had an enormous internal indebtedness in common with every other country. By the late twenties the total world debt had grown so tremendously top-heavy that it could no longer support itself. Much of it crumbled, and the ensuing collapse in prices, and of commerce constituted the world economic blizzard of 1929-32. Although this disaster eased the strain, the relief was only temporary. Once again the financial system pressed heavily on all the nations, and hence were generated the national ideologies and animosities which by 1930 made another fratricidal conflict inevitable. The internal position in Britain to-day is dominated, although covertly, by a total debt whose magnitude is enormous. The national debt alone at the end of hostilities (1945) was some £22,000 million, and with the external debt and post-war credits the total indebtedness now (1947) is about £29,000 million.

This is the situation also, in varying degree, in every belligerent country,\* and it is only in the light of this fact that we can understand what is happening everywhere. Those who think in terms of abstractions imagine that the recent belligerents were fundamentally separated by profoundly different political philosophies.

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\*£75,000 million national debt in U.S.A. in 1945.

But from the purely realistic as distinct from the abstractionist viewpoint, the position to-day is this. There is no fundamental difference between any of the nations. There is a difference, and no doubt an important one, in degree or amount, but not in quality or kind.

At one time in Britain we were accustomed to look with scorn or amusement on the antics of the Russians, Italians, Germans and Japanese. We observed that these "lesser breeds" were living under deplorable conditions of bondage. The slavery began with the children, who were forced into the mould by central authority and were herded and shepherded into semi-military organisations sworn to support the accredited national leaders, and ending in military service. We witnessed the corruption of eager and adventurous youth whose energies were bent to violence and destruction. We saw the liberties of free speech and free association swept away as all men came to obey the behests of their ideological masters, to be put to work where, when, and as required, mainly to create armaments. We saw the decay of parliamentary government, the concomitant rise of an immense and irresistible bureaucracy, whose control of all methods of publicity was designed to obscure truth and foster its own ends. We saw the corruption of justice, the rise of spying and secret police, and the imprisonment, punishment and death of all who offered the least opposition to the status quo, with even the possibility of escape denied by rendering exit from one's country impossible save under the sanction of government and, even then, in a state of financial poverty.

But, with the exception of an avowed and open secret police, there is nothing in this dismal category which does not also apply to Britain. Yet those declensions in liberty do not arouse any real amount of opposition for the good reason, that the pressure of events renders them absolutely necessary, which aptly illustrates the distinction between an abstractionist and a realist approach. Abstractionists were fond of asking why it should be necessary to become "fascist" to defeat "fascism." The answer is that since all nations are subject to the same play of financial forces, all must show an identical pattern of behaviour.

The immediate future within Britain, so long as the present financial machinery persists, is in little doubt. Those whose memories are long enough will recollect the "government"

promises during the First World War (i.e. the collective promise, if we can even conceive of such a thing, of the members of a committee, here to-day and gone to-morrow, without individual responsibility, and in any event ignorant of the forces moving the society they are supposed to govern). These promises were almost identical with those given during the Second World War. But after 1919 the financial system necessitated a drastic deflation, and hence every policy was punctured save that of retrenchment—otherwise artificial poverty.

On the present occasion the promises are more definite but just as little likely to be implemented, which, of course, will not be due to abstractionist causes (e.g. treachery, hypocrisy, lack of goodwill, etc.), but will be because the financial system is always sovereign with respect to government. It did not escape the notice of the public that the ministers of the Crown under Churchill would not commit themselves to the Beveridge report. This was interpreted in every way except the correct one.

'The government leaders, being gentlemen all for sound finance, realised that, to use the current mythology, "Britain must meet her obligations." The first of these obligations was without doubt the national debt, whose mounting pile of figures few ever mentioned, and fewer understood, but all remembered! It is this painful recollection which conjured up the "ifs" and "buts" of members of the government on being pressed as to future plans.

The real situation is plain. The "national" government was not only largely "conservative" (i.e. the nominee of banking and big business), but was principally composed of men who, if judged by their verbal acrobatics and actions of the past twenty years, had surely plumbed the abyss of political ineptitude. These servitors of pseudo-democracy, entrenched behind a corrupt party system with its Treasury bosses and its fake honours, had coolly proposed to continue in office for a further period of years after the war, but after all, it is for their financial masters to call the tune according to the canon of debt.

Nevertheless, if Britain continues on orthodox financial methods, and so long as the final crash can be staved off, the government, whatever its aim or its name, will be committed to a policy of which the present exemplar is Russia. Our children will be moulded from the age of two to adolescence by a State education, after which

they will be obliged to join youth organisations also centrally (i.e. financially) controlled, with military and labour conscription as the inevitable goal. Women will work as directed, children will be reared in State nurseries, and the community fed in communal restaurants. With the rationing and other local restrictions and a growing shortage of consumers' purchasing power will go a universal shortage of things, so that finally all will eat, dress, think and act alike on steadily decreasing standards. Politics will be expunged, while religion and education will be further deflected to serve the interests of our real rulers. The bureaucracy will continue to increase in size and power, until State control extends into every realm of human activity. Thus freedom will be bartered away for a minimum security obtained by a general lowering of the standard of everything.

As regards the immediate future so far as the external situation goes, this too is very plain. The price of the existence of the present financial system is the economic world sovereignty of the U.S.A. Indeed this sovereignty is now in being. America holds almost all the world's gold currency reserves, and the Lease-Lend Act gave her virtual control over what remains of British overseas trade. Her leaders are even now concocting plans, with every likelihood of success, to create and maintain the world's largest air and sea-borne commerce. At the price of a few obsolete destroyers, she secured her long coveted bastions towards the east. Canada is financially in her grasp. The defeat of Japan opens China to her markets and South America is increasingly in pawn.

But the final blow is the insistence of U.S. leaders on the necessity for world free trade, as a preparation for the American plan for the setting up of an international banking system whose credit would be based on the gold America alone possesses. The position now in the U.S.A. is in fact almost identical with that of Britain after the Napoleonic wars. So long as money is created as a debt at interest, and more especially as it is tied to gold, the United States will become, under free trade, the world's chief creditor nation without whose ukase no other people will be able to survive economically; and the standard of living of the American people would then be bought at the expense of all other people who elected, or were obliged, to remain financially orthodox.

This is an ominous picture which is not brightened by the fact that Russia, under an all-powerful centralised bureaucracy, is still financially orthodox, has become the world's second largest gold producer, and even before the present war, was enabled, and indeed obliged, to enter the world's markets as a competitor whose prices could rival Japan; hence the basis for a Third World War. But bleak as is this prospect, there is the still darker side of the universal reign of force and the subjugation of the individual, about which there is an ominous conspiracy of silence. We are treated to laudations about everything Russian, except the tyranny. But what, is to be done about the millions who have suffered death and imprisonment, and about the awful conditions of slave-labour and the penal barbarities which exist in that country? What of the similar conditions at present in Spain under the "Christian" Franco, for whose welfare God Almighty has been so long dunned; or in India, and indeed in every country where power has been sufficiently centralised? We must face the fact that national and international stability are inherently impossible if such tyranny exists even in but one country. Our present leaders are all, as gentlemen, for noninterference in internal affairs. Let brutality and disdain for life and liberty flourish and it's nobody's business, they say; but this easy submission is a fatal blunder. Then there is another fact to which no reference is ever made. During the first world war the victorious allies had no sooner been relieved of the external pressure of hostilities than they burst asunder by their own internal forces.

The same is likely to be true again. The alliances of British, Russian, American and Chinese had nothing in common (if we bear in mind what these names of countries really mean) save the direst military exigency. That is to say, they were not united by a common aim, but constrained by a common fear.

It is significant, however, that Britain, Russia and America are still united by at least one bond which bodes little good for the future. They are the sole representatives amongst the nations which maintain, and hope to continue on, money tied to gold, at least so far as international trade is concerned. The gold situation for some time has been shrouded in mystery, but America is still the largest holder, while Britain and Russia are the largest producers,



who blast the precious metal out of the earth so that Americans can re-inter it at Fort Knox, Kentucky.

Here, then, in brief, is the background against which I write. It is the history of usury with its self-cumulative debt and its concomitant destruction of society. It is realistic or inductive history which shows that the financial sector is paramount. In consequence, I deny that governments in any particular sense of the word actually govern, or that events conform to any conscious plan at all. When Britain achieved economic dominion in the 19th century this was due to a large variety of factors of which the financial were the chief and of which none, as I believe, was consciously controlled.

For the same reason, if the present financial methods persist, America will become in turn the world's money centre; but this will not happen because the citizens of America desire it, or because even the bankers or the government desire it. It will in fact be thrust upon them, almost certainly to their final discomfiture, because of the inherent nature of the financial mechanism. To employ a trite but accurate analogy, governments are ships of State floating on the perilous ocean of events and dependent for motive power on the winds of finance. But as the haven of financial security is always to windward, and as the tide of usury is always contrary, they can never reach land. Some founder with old age, and the remnant, racked and unseaworthy, persistent in the unequal struggle until in the end all are lost in the tempests of debt.

To those who do not know it, this historical account will appear alarmist, but I shall take an open stand on the analysis. The forces now moving society are immensely powerful and complex but they must clearly vent themselves upon us in accordance with natural law, and we must endure the tempest of destruction as best we can. But the storm passes and men then ask the sharpest questions. This book has a specific object. It is an attempt to answer these questions. It is, moreover, addressed to a specific audience. It is not likely that it will appeal to specialists or to those who occupy the seats of the mighty; nor will it find ready lodgement in the breasts of those whose outlook is clouded by political abstractions.

It is addressed to what indubitably constitutes the largest and most important political group in existence. This group has so far been condemned to obscurity. It is unrepresented in any

legislature. but, though devoid of press and publicity, has created such a pressure of opinion that action seems. imminent.

It is that group of people in all walks of life whose members are the unwilling butt of political and financial manoeuvring and who have been ruled, regimented and taxed to the limit of endurance. It is that overwhelming majority in every nation which has refused to be seduced by political theories, or soothed by promised Utopias. It is, in a word, the politically 'Neutral Masses' of mankind, whose intuitions have survived the assaults of myth.

The spirit of the 'Neutral Masses' has never been understood by their rulers. It is wrongly regarded as apathy, as if people were really indifferent to their own good. It is not apathy, however, but a silent resentment against the status quo, and is potentially the greatest force mustering in our society.

To listen to the broadcasts and to read the press of every belligerent nation during the war was to gain a very wrong impression. It was to gain the impression of solid, united, homogeneous peoples standing in serried order behind their leaders, willing and obedient to them, and with unquestioning discipline striking down their national foes.

This was a dangerous picture. because it was myth, even in Germany and Russia; and its unreality was certainly known to all governments. That this picture was not and is not true is the explanation for persecution, the secret police, arbitrary laws, administrative tyranny, financial oppression, and a tendentious publicity. The vital secret which all governments hide with jealous care is the silent and subversive pressure opposing them everywhere through the free spirit of man.

It is not so long ago that Europe and America resounded to the cries of liberty, but by what mysterious force has this been quenched? How comes it that tyranny has been forced upon men until nations are now nothing more than vast penitentiaries wherein the docile receive what little privileges remain while recalcitrants are beaten into submission or removed?

In past times when tyranny was localised and individuals were threatened by the forces of society, there was always the possibility of escape to other and more favoured lands. It was this which caused so many Europeans to seek a new and freer life in the Americas and the Antipodes. Indeed, the instinctive antagonisms

of the peoples of the New World to their European kinsmen is rooted in this very fact. Sheltering behind leagues of ocean, secure from the worst hardships of peasant poverty and political oppression, unfettered by the past yet sharing a common language and inheritance, these pioneers came to regard their new land as the sanctuary of the oppressed and themselves as custodians of freedom.

But their lands are no longer a sanctuary and their freedom is vanishing. Such indeed is the turn of fate that even the remotest islands of the Pacific are no longer immune from war and social disorder; and it is now impossible to move from one country to another without official inquisition and the sanction of authority.

Yet the official tyranny is not the only one, nor is it indeed the worst. It is merely one aspect of a secret power which everywhere presses upon men and obliges them to act against their desires and judgments, compelling them to suffer monstrous abuses and to accept deprivation and hardship. It has thus conferred on human effort a tragic meaninglessness which is one of the major symptoms of our social disorder.

It is this secret force which puts men against men, and nation against nation, and which has produced two world wars. Yet terrible as is the death and destruction, these trials could be endured if out of them would come a newer, better world. But the lesson of the last war to end war lies before us. To the 'Neutral Masses' the trend of present events is ominous as the clouds of retribution gather and the leaders of the so-called United Nations now count eye and tooth for the day of reckoning.

But the common folks of every country want done with this savagery, and have no desire to subserve insensate national animosities, and to kill and destroy by edict.

Much is now heard of a new order, but such an order will neither arise spontaneously nor will it be merely an extension or elaboration of the existing order. The essence of a new order would be, in fact, its newness, but of such a consummation there is as yet no positive sign.

In this age, now disrupting under the impact of its internal forces, there are two terrible contradictions which must be resolved. There is the tragic difference between man's ability to control material phenomena and his complete inability to control social phenomena;

and there is the difference between his conduct as an individual and his conduct in the mass.

It is when we review the history of science that the nature of the former contradiction becomes evident. For untold ages men suffered want and limitation, while within them lay the possibilities of ordered knowledge, and around them lay the boundless wealth of nature. Why did such deprivations exist when there were wise and learned men amongst the ancients? The answer is clear. They did not correctly understand the method of dealing with the phenomena of nature.

The formulation of this method, without which ordered control over events is impossible, constituted one of the most momentous steps in human progress. It is true that its logical basis was known to the Greeks, and that it had been used unwittingly in all ages; but it was left to Francis Bacon in 1620 to formulate the scientific method, and to show how precisely it must be used in order to reach truth.

The Baconian method was largely responsible for the ascension of modern science whereby for the first time directive control was acquired over the forces of nature; and its triumphs were attained, not by speculations about natural phenomena, but by their careful observation and correlation under law.

Mediaeval science, as we understand the word, was no science at all, but was a conglomeration of magic, superstition, and theory, almost unsupported by facts, and based on unchallenged assumptions. From this conglomeration no real knowledge could ever have been attained; but by free observation and the experimental method, the phenomena of nature fell into orderly array and became of use to mankind. Unfortunately men's minds have been occupied with the knowledge aspect of science (as the word itself denotes) to the detriment of the power aspect; but it is the latter which is of major importance. The power of science derives from the liberation and manipulation of energy, and the ability to re-order the assemblages of atoms and molecules, and even to control all manner of biological processes.\*

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\* Written before the discovery of the "atomic bomb."

Now it is commonly said that science has given power but that men are evil and hence use it to evil ends. It is also deplored that this is a mechanical age and many hold that it is necessary to return to a simpler life.

Those who advocate such views are in error and do not understand the times. We cannot put back the clock, and whether for good or ill, and for centuries to come, humanity is destined to dwell in a world of ever increasing mechanism and power, to disregard which is folly or blind idealism.

It is when we turn from the seemliness and power of the physical sciences to the farrago of superstition and theory which pass for knowledge in the realm of economics and sociology that we realise a re-orientation is long overdue. We are, in short, in a pre-Baconian world so far as social phenomena are concerned. Yet the correct methods of science are equally applicable to the field of corporate human relationships, as Bacon intended; and we shall see that what is wanted is not less science, but more; not less mechanism, but its correct understanding.

Now the existence of these world wide disorders has caused men to ask "sharp questions"; but the infinity of theories and opinions advanced by way of explanation or remedy, together with the awful lack of leadership, show that so far there have been no satisfactory answers.

When the many problems have been examined and classified, we can conveniently compress them into four cardinal questions, on the correct answers to which depends the whole of the future. These questions are:

- (1) What is the nature and source of the secret power which now dominates society?
- (2) Can social events be controlled?
- (3) What is the purpose of society?
- (4) How can this purpose be best attained?

The first question raises the vital issues of centralised power and the rise of State sovereignty, of the loss of liberty, and of the nature of that compulsion which obliges men to act in ways repugnant to them as individuals.

To accept orthodox history is to believe that tyranny is an outmoded device which passed into oblivion with the rise of "democracy." The unpalatable truth, which must be faced with

courage and urgency, is that freedom has been extinguished and that the peoples of every nation are menaced by the most vexatious and terrible tyranny which has ever existed.

The second question deals with the possibility and nature of control over the affairs of human society. It is surely a sad anomaly that as men rise in the scale of power to direct the events of matter, they descend in their power to direct social events. And while they intuitively know that human affairs could be directed to human ends, they see that the phenomena of society are outwith the control of their national leaders, who vainly grapple with a Hydra of difficulties they can neither evade nor understand.

It is manifest that the 'Neutral Masses' are not deluded by the mythical aims and tendentious propaganda which form the pabulum of publicity. And if there is one dominant emotion which infuses the breasts of the common people of every nation, it is the terrible resolution, now that hostilities are ended, that something must be done. In this adamant resolve resides a dynamic which may well prove dangerous unless the politicians realise that the old order for which they stood has now ceased to exist.

The third question deals with the true and final purpose of society. If social events can be controlled, then presumably they can be directed to various ends. But these ends can never be arbitrary. They must serve the true purpose of man, and so we must perceive that purpose.

The direction of human affairs is, or ought to be, the science of government, which is the function of the political and administrative mechanisms. In the present inverted order of society, however, there is an utter confusion of means and ends. To most people the attainment of political aims and the actions of governments come to be regarded not as means to certain ends, but as ends in themselves. Yet it ought not to be difficult, and is urgently necessary, to discover the purpose of society and to direct human affairs accordingly.

The determination of this purpose would raise the fourth and last question as to how best to attain it. There are those who maintain that the structure of society is wrong and that another structure is necessary. There are others who contend that man himself is wrong and that new men are necessary. Which opinion is right?

The objective of this book is to give precise answers to these very questions. The proposals put forward, are not to be construed as yet another addition to the endless theories and opinions which are the subject of so much dispute. They are put forward as the result of an investigation, which, if correctly done, reaches conclusions far removed from conjecture and which no more admit of counter-opinions than do the accepted conclusions of science.

It is, in fact, an attempt, however imperfect, to arrive by the scientific method at scientific answers which, should be as secure as any other portion of the scientific structure; and if this attempt is unsuccessful, its failure will be due solely to the incorrect perception and relation of the basic data.

Following the scientific method, therefore, we shall endeavour to approach the mechanisms of society with minds free from preconceptions or theories, and try to discover the laws which relate the parts of these mechanisms, such knowledge being then available to direct events to the recognised goal of humanity.

It will be necessary first to enquire into the philosophy and nature of mechanisms in general. Then we shall look with as clear an eye as possible at the chief mechanisms which comprise society, paying especial attention to that of money, since it is most powerful and least understood.

The next task will be to consider the nature of the human mind and to show how this particular mechanism is wrongly used to create illusion and obscure reality. Thus we shall understand in some measure how events take place and hence how the present world situation has arisen. In this way there will be developed the knowledge necessary for the direction of society and the building up of an order which will certainly be new because it will subserve the true end of man.

To accomplish this task, however, will be neither easy nor pleasant. It will involve the painful destruction of illusions which have become in very truth part and parcel of human nature. It will call for effort to build in new views, and still greater effort to translate such views into action.

## *Chapter Two*

### THE NATURE AND RÔLE OF MECHANISM.

Here it will be suitable to deal with the nature of mechanism in general. The word is derived from the Greek "mekhane" signifying "means" or "expedients," which provides the fundamental clue. Mechanism is a means to an end. Unfortunately the close connection of this word with engineering in the 19th century has given it a popular meaning which obscures its nature.

A mechanism, instead of being regarded essentially as a means to a desired end, came to be thought of rather as an apparatus or device whose members were constrained to a rigid sequence of events, as opposed to the members of a living creature. It is the essence of the mechanism that it is pre-determined toward a specific objective, but the conception of the pre-determinism occupied peoples minds to the exclusion of the specificity of the objective. In this way there arose "mechanical" conceptions of the universe, and hence the mechanistic (as opposed to the vitalistic) philosophy, which doctrine held that organic life consisted solely in material and mechanical forms of operations. This philosophy is, in fact, the complete negation of mechanism, which can never be automatic or self-determinative, but must be an agency operating, or operated, toward its specific end.

The word in the first instance was applied to machinery proper, that is, physical apparatus "designed to produce a desired effect." The word then acquired a derived meaning in current use which is defined as "an organized system under definite control for carrying out specific functions, together with the persons engaged in the work, and the prescribed methods according to which they act:



the machine of government (e.g. the social machine; the political, party machine )." (Both quotations from Wyld's Universal English Dictionary).

Thus it is clear that we may properly utilize the word mechanism to describe not only physical apparatus designed to produce a desired result, but also any organized system for carrying out a specific function; and it is in this comprehensive sense that the word will be used here.

It now becomes necessary to have a word to describe *the specific function of a mechanism*. One could of course refer to the aim, the purpose, the end, of the apparatus. However, these words are not sufficiently pointed for the purpose, and, moreover, they generally imply *conscious direction*. What is required is a word to describe, not the aim or intention of either the users or operatives of the mechanism, but *what it actually accomplishes by virtue of its inherent nature*.

After thinking over various suggestions (e.g. exjective, ejective, event or *eventus*, and it's Greek equivalent *apoban*) I came finally to adopt the word already used by major C. H. Douglas—namely the 'objective' of the mechanism. This word will henceforth be written in single quotes to recall the fact that it merely describes what a mechanism accomplishes—*without respect to any conscious aim toward that end*.

Mechanism is therefore used to mean a device or contrivance constructed to attain a specific 'objective.' The importance of these devices lies in the fact that life is conditioned by the necessity of using vast numbers of them. The word "life" itself has many meanings and is applied to the manifestations of human beings equally with those of biological cells. It will be useful to regard the word as denoting consciousness, in its manifestation through mechanisms. We can for example, regard physical atoms as being the vehicles or instruments for the functioning of consciousness at the electro-physical level. The atoms are hence mechanisms for Being and are described in terms of physics and chemistry. We observe increasing manifestations of consciousness as this utilizes the more complex mechanisms of plants and animals.

Man is also a bundle of mechanisms, starting with the physical body whereby his consciousness is put in touch with the physical world. Then when men associate themselves in society we find

that they do so through social mechanisms, by which they co-operate toward certain ends.

Since mechanisms are the universal means by which life manifests, it is of the highest importance to understand something of their nature and rôle. If we fail in this we shall find ourselves in difficulties. We can only use machinery properly when we understand how it works, what it accomplishes, and the practical limits of its use. Thus the human body is a mechanism for putting the consciousness in touch with the physical world *via* the senses, and it is not the real man. It is a machine which we can only use properly when we know how it works, what it does, and the practical limits of its use. The real man also utilizes as instruments his feelings and thoughts with definite limits and with definite functions, as necessary parts of experience.

A mechanism, then, is a device or contrivance constructed for the effective attaining of a specific 'objective.' Now at once this introduces the idea of limitation. In other words, specialization towards a specific end implies limitation towards that end, and therefore it becomes important when studying mechanism to understand its inherent or intrinsic limitations.

Those limitations may be stated in the following postulates or axioms:

- (1) The 'objective' attained is specific to the particular device and is determined by the nature of its construction or design.

Therefore:

- (2) The objective is attained independently of those who operate or use the mechanism.
- (3) The objective is to be determined solely by a scrutiny of what the mechanism does.

There are certain other attributes which appertain to most mechanisms:

- (1) They multiply human power.
- (2) They obscure individual responsibility.
- (3) There are certain by-products of their activity which are not to be confused with their specific 'objectives.'
- (4) They may be diverted from their inherent 'objectives' to subsidiary ones, with a consequent loss of efficiency. These may hence be called 'non-efficient objectives.'

- (5) The same 'objective' may be attained in different ways, and efficiency is a measure of the ease and reliability with which the end is attained.
- (6) Mechanisms require technical knowledge for their maintenance and/or operation.

It may be thought that these postulates and attributes are of purely academic interest, but they are of the highest practical importance, since without their understanding we cannot make a correct use of the many mechanisms which make up human life and society. By way of illustration, consider the importance of the fact that the 'objective' is specific. This means that it will be attained whether those who operate or use the machinery desire this 'objective' or otherwise. This conclusion is contrary to the idea that if men were "better," the 'objective' would be "better;" which is a common and serious error. If a mechanism is constructed to achieve an 'objective,' this it will achieve whatever the desires or character of those who use it.

Then a mechanism is always amoral, like energy or any other power. We cannot have "good" or "evil" electricity, or steam, or explosives, but of course we can have "good" or "evil" purposes for the application of these energies. To put it in another way, moral attributes cannot be applied to mechanism.

Another common error is to accept 'objectives,' without the necessary scrutiny. There are mechanisms which are commonly believed to attain certain ends, but which attain quite other ends. The confusion is all the easier since by-products of the mechanism, or 'non-efficient objectives,' may exist, and these are frequently mistaken for the principal end.

Thus a watch, whose function is the measurement of terrestrial time, gives out ticks and may also serve for personal adornment. If one did not know its true function, one might conclude that this was really to make ticks or to display the wearer's charm or wealth. In the case of ladies, the latter would be a 'non-efficient objective,' and the ticks a functional by-product!

The determination of the 'objective' is often a matter of real difficulty in the case of more complicated mechanisms, and necessitates a careful study of every phase of activity of the apparatus. The multiplication of power which is a regular attribute of mechanism is one of paramount importance also. Consider, for

example, the power of the spoken word by broadcasting. It is the case now that one man could address a thousand million people scattered throughout the globe. This means a multiplication of hearers alone by 100,000 times, and an incalculable multiplication of power so far as the final effect might be concerned.

This power is that of energy directed to a specific end, and men must learn to use it correctly, under pain of extinction of all ordered progress. Thus the utilisation of devices such as science has created is at the root of the grave abuse of power which is a feature of our present society.

The capacity of mechanisms to obscure individual responsibility for actions is another feature to which no serious attention has been paid. This also is a problem to all governments and governed. The danger is twofold. Firstly there is the risk from the tremendous increase in power available. Think, for example, of the terrible results which ensue when a very young man is given responsibility for some thousands of horse power on tap by the movement of a small lever or when he presses a switch to release several tons of high explosive from a bombing aeroplane.

The second danger lies in the obscurity from responsibility which results from ignorance as to specific 'objectives.' Responsibility is side stepped unless the user of a mechanism realises the end which it subserves. Now this is of prime importance because men are everywhere in ignorance of the 'objectives' of their social mechanisms. Yet these are supremely powerful where life and liberty are concerned and through this ignorance arises most of the tyranny and injustice, especially in the realm of finance. The question of human responsibility is one which religious bodies deem to be peculiarly their own, but the custodians of organised religion have signally failed to comprehend the relationship between individual responsibility and mechanism.

In order to get a better understanding of these conceptions, consider the case of a steam ship. This is a contrivance designed to carry things on the surface of the water as and where required by means of the heat energy of steam.

It is designed to do this efficiently, but it is thereby limited to the surface of the water. It cannot proceed on dry land, or in the air, or under water, although a million passengers should desire it to do so. Its 'objective' is attained, moreover, so long as the

captain and crew operate the vessel properly, and without respect as to whether the men are black or white, good or bad. All these things are inconsequent, and the ship will reach its appointed destination so long as it is handled within its limitations and "according to art."

Then we note that there is no ethical quality inherent in the ship. It is merely a mechanism. Yet ethical qualities will belong to the 'objective' for which the vessel is used, and this may be obscure or purposely hidden. It may be to fight with other ships, to carry special goods, passengers, aeroplanes. It may be smuggling contraband or charting the seas or sailing for pleasure, but whatever it does can only be known by an exact scrutiny of all its movements.

A steam vessel has by-products of its activity and 'non-efficient' or subsidiary 'objectives.' Thus it gives out smoke, ash, food refuse, large numbers of empty bottles, and waves. It makes electricity, turns water into steam and steam into water. It could be tied up ashore to generate electricity or used to tow another ship across the ocean, but these would only be possible by a great sacrifice of efficiency, i.e. 'non-efficient objectives.'

Of course this is an example of a fairly simple physical mechanism. The question arises whether these postulates and attributes are applicable to other than the physical, of which there are three important varieties. There are the biological mechanisms as manifested in the bodies of men and animals, of plants, etc. There are the psychological mechanisms in man (those for thought, feeling, and so on); and these in turn help to form the whole range of complex devices which make up society and through which men carry on relations one with another.

A little consideration will show that the postulates and attributes do, and indeed, must apply to any kind of mechanism whatever. It is true that those of human life and society are complicated. They have by-products of their activities and sometimes also 'non-efficient objectives'; but they are sufficiently susceptible to investigation to demonstrate the validity of the present analysis.

The importance of this to our present study is incalculable. The mechanism on which all turns is the human mind. Because its functions and limitations are not clearly understood, the results have been disastrous. We shall proceed to show how the erroneous

use of the mental mechanism creates fictitious pictures of the world and of men's relations to it, and how these in turn paralyse action.

Failure to understand the nature and 'objectives' of our social mechanisms is therefore a great source of difficulty, and we shall consider them in detail later. They constitute a group of seven by which the work of society is carried on. They are (1) Finance, (2) Industry, (3) Sanctions, (4) Administration, (5) Politics, (6) Education, (7) Religion; and nothing could be more fruitful for human welfare than to apply the postulates to and consider the attributes of these social devices.

Some critics have objected that these mechanisms have no existence as concrete entities and that they are merely functions of society, amorphous in structure and without any control or direction. If by function is meant "the special kind of activity proper to anything; the mode of action by which it fulfils its purpose" (O.E.D.), then in that sense these seven devices are functions of society. But I contend that there cannot be a "proper activity" or a specific "mode of action" without some sort of mechanism to achieve it.

Of course we must distinguish carefully between those who use social mechanisms and those who manipulate and control them. At the user's end it is true that there is an amorphous indeterminate mass of people (like the passengers on our steam ship) each with his own personal aims and objects, and often mutually confusing ones. But the mechanism proper, like the ship, is another matter.

Take Great Britain as a case in point. The religious mechanism is definite and highly centralised. It is true that there are a few odd denominations and small groups outwith the great official Churches, but these tiny minorities play no appreciable part in the Social structure. The great national and Roman churches are quite another matter. Each is an organisation with a very definite structure, under control, with jealously guarded portals, long and persistently organised, and rigidly disciplined, with a recognisable headquarters and a known hierarchy—surely a very definite mechanism.

As to academic education, there are of course the passengers, the amorphous group of pupils and students; but those who operate this mechanism constitute another hierarchy, carefully conditioned and disciplined, centrally controlling the whole apparatus, and with its headquarters at a well known address. What I shall call

'propaganda education' is not meantime so centralized and organized, but it is controlled financially and it is only a matter of time before this portion of the mechanism of education is completely centralized and organized, as in Russia

Politics is also a mechanism with its own headquarters, its discipline, its rules and procedures, and with at least two subsidiary and centrally controlled Party organizations closely integrated with parliament and admittance thereto. The Administration is also a quite definite mechanism, with its hierarchy, its rules of admittance and procedure, and with an indubitable centralized control. No one can doubt that the same situation exists in respect to Sanctions and to an even greater degree.

The Mechanism of finance is of course the most highly centralized and most powerful of all—but again it has to be remembered that when we think of centralised power, of discipline, and so on, we are thinking in terms of those who operate and control the working, but not the 'objective' of the various mechanisms. Like our ship, the social mechanisms have become so complicated structurally and technically that their users must leave the workings of them to experts.

It is only in industry that a clear-cut and precise mechanism is not yet apparent; and under the debt system it is to this fact that we can ascribe the chaos which exists therein. But the situation is being rapidly changed and soon the mechanism of industry will have its headquarters, its hierarchy, and its rules and discipline exactly as the others. Up to the present the relatively unorganized industrial mechanism has only been able to carry on by reason of its close interlocking with and dominance by the financial, and hence the composite term frequently used here—the Financial-Industrial.

I contend, therefore, that we are dealing in all highly organized societies with definite and precise mechanisms by which men's activities are correlated; that through their use men have invaded personal responsibility, have multiplied their power anonymously, and, since their rôle is obscure, have used them to further objectives which, if realized, would be instantly repudiated.

Furthermore, as all complicated mechanisms require high skill in maintenance and operation, they are (like the ship) of necessity and quite properly in complete charge of trained personnel.

Succeeding chapters will be devoted to an elucidation of these seven branches of society; but firstly the function of mind will be dealt with, to show how illusion and deceit are created. Of the seven social mechanisms, however, the importance of one to our present study is paramount. It is the monetary or financial mechanism. It is most important since in our present order of society it conditions and limits all others. In everything institutional, whether religion, education, politics, sanctions, administration, or industry, money constitutes the chief if not the only title to goods and services.

Moreover, owing to the technical nature of money creation it is, as we shall see, the great source of centralized power, by which men's individual sovereignty is destroyed; but as men do not use their minds aright the true nature of the money system is rarely perceived. The people cling with lamentable tenacity to their illusions about the system. They shut their minds to the facts and yet hope somehow to sweep away the evils which beset them; but until the financial system has been comprehended in its reality the present disorders will go on increasing until a total destruction of society has been encompassed.



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# **Part Two**

**The Money Mechanism  
and our Servitude  
There to**

*Men not yet at sufficiently high mental level to consider soberly the requirements of a monetary system are unfit to administer even a lavatory or a chicken run.*

*In our time the curse is monetary illiteracy, just as inability to read plain print was the curse of earlier centuries.*

*Economic light in our time has not come from the HIRED, it has not come from preconditioned bureaucrats (governmental, universitaire and/or ecclesiastic). It has come from free men, an engineer (Douglas), a man of commerce (Gesell), Soddy, a prof. of physics, Larrañaga a builder of roads, a technician, Rossoni, Por, McN. Wilson—NONE of them in harness. Orage, an editor who had the intelligence to quit a rusty and inefficient set of theories. Coughlin, H. Fack, a country physician, Vincent Vickers—voilà l'estat divers d'entre eux! men stirred by the infamy of the bleeders and the abject sloth and pusillanimity of hirelings.*

From Ezra Pound's *Guide to Kulchur*.

*The bourgeois has an insurmountable tendency to create a world of fancy which enslaves man, and causes the disintegration of the world of true realities. The bourgeois' most fantastic creation, the most unreal, the most uncanny and horrible in its unreality—is the kingdom of money. And this kingdom of money in which all real substance disappears, possesses a terrible power; holds a terrible sway over human life, sets up governments and overthrows them, makes wars, enslaves the labouring masses, gives rise to unemployment and destitution, renders the life of people who are successful in this kingdom more and more fantastic. Leon Bloy was right. Money is a mystery, there is something mystic in the power of money. The kingdom of money, the extreme of impersonality makes even property itself fictitious. Marx was right in saying that capitalism destroys personal property.*

From Nicolas Berdyaev's *Slavery and Freedom*.

THE MONEY MECHANISM AND OUR SERVITUDE  
THERETO

*Chapter Three*

THE FACADE OF FINANCE.

To expound the money mechanism is of course difficult; though the chief difficulty is not, as is supposed, inherent in the nature of the system itself.

It resides in men's minds, which are almost inaccessible. It is indeed an extraordinary thing, considering the supreme importance of money to everybody, how the mere mention of financial matters raises, stony opposition.

Men believe that an understanding of finance is beyond them, which is the first barrier to approach; but the greatest opposition lies in the essential nature of human experience with money itself.

It is true that financial matters are complicated and technical, and difficult even for experts. Bankers and economists give all kinds of mutually contradictory advice. Some say we should save, others that we should spend; some are for gold, others against it; some for stable prices, others for stable money, for free trade, for tariffs, for reflation, for deflation, and so on. In the face of this, it is no wonder that ordinary men shy clear.

But let us turn for a moment to consider the general question of the non-expert approach to a technical subject. It is true that all who direct a specialised brand of human activity require for efficiency a lifetime's work and the acquiring of a vast technical knowledge. Yet these arduous labours are not at all necessary to an intelligent understanding of specialties.

The fact is that all technical matter has two aspects. There is the central core of general principles, and the peripheral field where

these principles are worked out. It is this peripheral field which is the province of the experts, since it is their duty not only to know the principles of their specialty, but to work them out in practice, which is another matter. The basic or guiding principles in any branch of knowledge are relatively simple and quite within the compass of the ordinary reader, and an all-round knowledge of such basic material is in fact the foundation for a true education.

And so it is with the money system. The peripheral field is immensely complicated and beyond the reach of the uninstructed, but the central principles of finance are relatively simple and can be understood with less trouble than it takes to learn bridge or do a simple algebraic equation.

The chief causes, however, for the closure of men's minds against any criticism of the money system lies in the nature of their experience of money itself.

Since all men must handle money and stand in a conscious relation to it, so they come to acquire mental concepts (i.e. a philosophy) about its rôle and nature. If, then, views are presented which are in conflict with these concepts, such views are likely to be repudiated

To understand how this philosophy grows, it is necessary to remember the impressionable years of childhood, when money is first encountered. Young people are soon accustomed to regard money as a very important means of access to the things dear to them, as something material and substantial, as having value in itself and hence to be carefully preserved, and as something which is scarce and whose origin is mysterious.

The experiences of adult life are no different. It is to be remembered that out of the 47 million people in Great Britain, all but a small minority earn money or only know money in the form of notes and coinage. This great mass of people have either no bank account or else deal with Post Office or Savings Banks, where again notes and coinage are alone handled.

So here is a whole realm of experience, lasting in most cases as long as life itself, borne in upon millions of people by facts whose validity is not only undoubted but which form the foundation of the whole social structure as they know it, and which indicates that money is the sole source of access to goods and services, that it is a

tangible substance, that it has intrinsic real value, that it is scarce and hard to come by, and that its origin is a mystery.

It may be supposed to these simple views are held only by wage earners. Even so, it would be a serious indictment; but the same views are virtually held by both business and professional men.

That money is the sole access to business services is the basis and dynamic of industrial society. Lifetime experience convinces people that their entire range of activities, whether as private persons, as industrialists, or as nations, are crippled and curtailed by lack of money. It is indeed the final and unanswerable argument for men. "No money" signifies the shut door, a total impossibility, and in fact the absolute zero of action; and it cannot be too forcibly emphasized that this curtailment is the lot, not only of individuals, but of the most powerful nations on earth.

In other words, no matter how much of the earth's surface a nation possesses, no matter what size of a working population, the matter what available raw material, skill or plant, or what her sovereignty and extra- financial realm, lack of money yet renders these assets as less than nought.

The notion that money is tangible, real, and substantial is again rooted in daily experience. Most people know that notes have no intrinsic value, but they nevertheless believe that somehow or other they represent gold and are in fact as good as gold. This is no doubt borne in upon them by the "I promise to pay the bear on demand the sum of. . ." which appears on Bank of England notes.

The related idea of real or intrinsic value in money is associated with its tangibility and substantiality, and with, in fact, gold. The "value" of gold in turn is deeply impressed on people by a whole series of experiences ranging from the purchase of fountain pen nibs to the story of the Tobermory galleon. All know that tough men in strange hats scour and scrape the remotest parts of the earth to get this precious metal; that not so long ago it constituted "real" money and as such passed from hand to hand until governments were obliged to put a stop to such folly.

That money is scarce as a natural corollary to the above views. Gold is scarce, hence money is scarce. It is like diamonds, or radium, or orchids— a rare natural commodity only to be come by through a lucky strike. No one objects to the scarcity of money,

though all men and all nations experience it, just because of the antecedent and supposedly limiting rarity of gold.

Regarding the origin of money, this is so much of a mystery that no one ever thinks of it as having any origin! Or if people do think of it, they regard it as somehow rooted in and springing from gold hoarded and guarded in a bank. All know that in banknotes, cheques, discount bills and the like, financiers are producing acceptable and convenient tokens for the real thing. This no doubt is mysterious, but must be so unless one has studied the difficult art of finance!

Here, then, is a fair picture of how the basic experience of millions of people works itself out into some kind of a philosophy; but this is far from being the whole story, for the very machinery and business of banking serve further to confirm it. Again experience is rooted in the tangibility, value and scarcity of notes and coinage, which must be safeguarded or they may be irretrievably lost. Or again, if one saves money, what is to be done with it? Clearly, a safe would be an advantage, but it would have many disadvantages, which are immediately removed by "Putting money in the bank." This very expression indicates reality, tangibility, value, preciousness; and putting the money in signifies confidence, trust, security.

Banks have super-safes, guaranteed burglar of proof, whose maws of steel gaze at us across the counter. Nor is this all. There are the safe deposits, deeply subterranean vaults of steel and concrete, protected by water and guarded by invisible rays, with double locks and secret combinations, guaranteed proof against anything. Here we all think of that apotheosis of security, the Bank of England, where the gold of England dwells secure. "As safe as the bank," we say. This venerable edifice, new though old, is the last word in security, for is it not guarded every night by eight by a piquet of the Kings guard, who with fixed bayonets, ball ammunition, passwords and the whole rigmarole of medieval military hocus-pocus, keep substantial watch over England's "wealth"?

Not only has this wealth to be safeguarded against violence but also against stealth, against improvident men and their foolish schemes; for bankruptcy faces nations as well as individuals. It is just living beyond your means, spending more the you earn, until the inevitable day of reckoning. What if England went bankrupt!

One hears of such things happening in other less fortunate countries, where people starve, business fails and all activity is frozen to a standstill.

To avoid this disaster we have the Governor of the Bank of England and his loyal colleagues, who, together with the Treasury, look to the nation's money. Then behind it all, watching and guiding the ship of finance, is that custodian of our liberties, the Mother of Parliaments, with the Chancellor of the Exchequer addressing the honourable members each year on the balancing of the budget. We perfectly understand this too. He has so much money to get in and hence so much to spend—just like the rest of us, in fact, and if he should spend more than he gets it means disaster.

Of course, the position is not so simple as this, thinks the citizen. There is export trade. Britain must export, and must have a favourable balance. Then there are the invisible exports, raw materials, and international trade in all its mysterious ramifications, with tariffs, quotas, pacts, conferences, the Bank of International Settlements, the movements of gold and of great bankers under enigmatic aliases.

What a picture it all presents to the uninstructed. The whole business of banking is in fact surrounded by a ritual and supported by a ceremonial in the face of which the stoutest might well shrink from criticism. It claims infallibility and believes it is man's only hope, and has its prophets, its exegesis, its dogmatics, and in fact the whole *armamentarium* of religion, which it is— the religion of Mammon.

It is so solid and imposing in every part. The conspicuous corner sites, the magnificent buildings of expensive stone, and adorned with marble, onyx, alabaster, mahogany; the monstrous bronze doors, the impressive architecture with the reliefs of Justice, Industry, Thrift, and the like, and encouraging mottoes carved here and there; the silent clerks behind bars, the busy citizens going to and fro, the bundles of notes, ledgers, comptometers, night deposits, the manager's room (*sanctum sanctorum* or in some cases the confessional) where accommodation is extended to the needy, with touching care for the customers' money. Then we think of all this multiplied by thousands—every city, township and village with its bank; the Big Five, the directors' meetings, balance sheets,



statements, the talk about our stability, liquidity, our strength, the encouraging prospects, weathering the storm, rounding the corner, standing by the nation, safe investments of funds and so on, with the final dividend in the comfortable region of 12-16 per cent., and a vote of thanks to the faithful staff.

I am here giving what I believe to be a faithful portrayal of the forces which contrive to produce a strong and clear picture of the money mechanism. It only remains now to complete this picture by portrayal of what the uninstructed citizen imagines the business of banking to be. I shall not try to overstate the case. It was not until recently, my own conviction, and began when as a small boy I was given my first bank account. I vividly remember this financial adventure and can yet see, in a substantial Edinburgh thoroughfare, the imposing premises.

Not the least impressive of the manifestations was the interest payment which one day accrued. This piece of magic was unbelievable. Why, for doing nothing but handing in my money for safekeeping, I actually got more! How had it grown? Even then some misgivings seized me. I always took the interest in cash.

This was the start of the matter and later on I figured it all out. It is a signal victory for banking that until this day I do not know how I came to formulate the ideas. No one expounded them to me. I cannot remember reading about them. I suppose it was just plain common sense. Here it is.

People who save money or otherwise obtain it, deposit it in the bank for safety. But this is not a mere physical deposition, a lying in cold storage. This money is really used by the bank, as a loan from the customer, if you like. That is why the bank can pay its way and pay depositors interest. It takes their money and proceeds to invest it, not of course in any speculative way, but in good gilt-edged stock. It buys corporation and government bonds and so on. This invested money is clearly not the bank's property but the customer's, hence the supreme need for caution. One cannot play fast and loose with other people's money. Well, the banks invest the money at say, 3-5 per cent., and they give the customer 1-2 per cent. Their profit, then, is clearly made up of the difference between what they get in interest from the depositors' money and what they in turn payout by way of interest to the depositors.

Then one knows that banks occasionally grant loans, but only under carefully considered circumstances. In this case, since they advance money belonging to their customers, these have to be adequately safeguarded by securities. For this loan the borrower paid 5-7 per cent., and no doubt this also helped the profit; but one could see that this kind of lending was only a small affair and in any event the bank's customers would never lose.

That this conception is actually held by most people is a certainty. There was only one point I could not explain. I discovered that banks had shareholders who each year received handsome dividends of a dimension much higher than interest paid to depositors. Indeed, I noted this fact with astonishment, which was redoubled when my bank manager was unable to provide a satisfactory explanation. My difficulty was this. If a bank were a mechanism for taking in depositors' money which it in turn lent out, what need was there for shareholders? What do they own? Clearly, not the customers' money. Whose, then? On what money was the dividend declared? The reader can think it out!

I have now formulated the conceptions of money and banking as created by intense and vivid personal experience of millions of people. We see the nature of money, its origin, somehow, in gold, its consequent scarcity, its value, its preciousness, its reality, and its unique title to goods and services. We realize the need for its safe keeping and hence for sound banks and banking, and we see how banks exist by the careful investment of the customers money. We accept their solid and imposing buildings and the solemn ritual of their business as necessary concomitants of security and stability. And behind all, supporting and sustaining the entire structure, we recognize the weight of the law with the final sanction of Parliament through the Treasury, and in the background the mystic effulgence of gold bearing the imprimatur of the Sovereign himself.

In the face of all this, is it to be wondered at that men's minds are locked and bolted against financial treason? It is surprising that the ordinary man finds finance "too difficult" and is content to "leave it to the experts?"

But nevertheless the financial mechanism is not beyond comprehension, at least in this essentials; and the ordinary man will have to bestir himself to understand clearly what these experts are about.

We can say without hesitation that the popular conceptions about banks and banking which I have tried to portray here are in fact bogus. Indeed, we can go further and say that the truth in almost every instance is the reverse of what is commonly accepted.

The truth about the monetary system was a close financial secret until about 30 years ago. The secrecy was of a high order of effectiveness since only a few men in England (probably not more than a dozen) at the the head of the high financial institutions were aware of what was going on. Indeed, there is evidence that even these few were operating a mechanism which they had neither constructed nor properly understood.

The facts gradually emerged into the light of day chiefly through the labours of a few devoted writers who were neither bankers nor economists. The copestone was put on their work by a number of governmental enquiries of which the latest and chief was the Canadian government report of 1939.

Our next task therefore will be to show something of the real nature of the financial mechanism, to which end a weight of expert evidence will now be adduced.

## *Chapter Four*

### BEHIND THE FINANCIAL FACADE.

We have seen what constitutes the facade of the financial edifice. Let us now take a look at the building behind. It is not an easy place to examine without skilled guides. It has mysterious foundations, tortuous corridors, secret rooms, and a jealous high priesthood.

In our search we shall avoid theories and keep to the facts of the case, as presented by recognised authorities.\* Those chiefly referred to are the "Committee on Finance and Industry Report" of 1931—otherwise known as the Macmillan Report, which was the result of an enquiry by the British Government into banking, finance and credit; the British Government Report of the Cunliffe Committee on Currency and Foreign Exchange; the Canadian Government Report of 1939, and extracts from speeches or writings of several authors of standing. The chief of these is undoubtedly the late Mr. Reginald McKenna, Chancellor of the Exchequer under Mr. Asquith's Coalition Ministry in 1915, and for many years the Chairman of the Midland Bank.

Mr. McKenna had first hand knowledge of how banks create money, as he had much to do with raising the 1914-1918 War Loans. The candour of his remarks is due to the fact that he was an unrelenting opponent of the present subservience of the commercial banks to the Bank of England.

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\*For convenience I shall describe the English system; but this is not fundamentally different from the U.S.A. or any other national system, not excluding the Soviet one.

McLeod's "Theory and Practice of Banking" is a very old authority on the subject. Mr. Hartley Withers and Mr. R. C. Hawtrey are financial experts in the British Treasury. The monetary writers such as Major Douglas, Professor Soddy, Maurice Colbourne, C. Marshall Hattersley, Jeffrey Mark, and the monetary historians, Dr. R. McNair Wilson and Christopher Hollis, have all been made use of.

The first step, then, is to state what is meant by the word money. Economists are still wrangling as to a definition of money. For our purpose all we want is a clear understanding of what constitutes money, and this, fortunately, is easy. By money is meantime meant not only coinage and notes (currency), but everything customarily used as if it were currency and acceptable for the purchase of goods and the repayment of debt. In other words—money means spending power in its widest sense. Hence it means notes, coins *and bank deposits*, the latter being made available by various devices in the nature of orders to pay, such as cheques, discount bills, and so on.\*

We shall next get an idea as to how much "money" is available in Great Britain, and for this purpose it will be convenient to consider the peace time situation. For some time before the 1939 war the very rough figures were:—

	£
Bronze coins . . . . .	10 million
Silver coins . . . . .	40 million
Notes. . . . .	450 million
Bank deposits . . .	<u>2,000 million</u>
	TOTAL: 2,500 million.

Here is a further statement, from "The Meaning of Social Credit" by Maurice Colbourne, p. 32 .

The bulk of modern money is made, not of metal or paper, but of figures in bank ledgers. It is called financial credit, and is movable and divisible by the cheque system. The great preponderance of this kind of money in the world to-day can be seen by the amount of Great Britain's three kinds of money. Thus for 1933 the figures were:—

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\*I am here simplifying the presentation. There are, as will be shown shortly, five different kinds of "money."

	£
Coin—approx. . . . .	70,000,000
Paper (Bank Notes) . .	470,000,000
Financial Credit . . .	<u>1,800,000,000</u>
	£ 2,340,000,000

It is interesting to note the immense amount of work which this intangible and intrinsically worthless medium of financial credit is called upon to perform for the community. For instance, the value of cheque transactions, in England and Wales which passed through the London Clearing House alone in 1930 is given in the Macmillan Report as just under £64,641,000,000.

So when we consider money it is clear we can, for practical purposes, discard the relatively paltry amount of coins made at the Royal Mint. Notes themselves are, moreover, of no intrinsic value and are mainly financial credit also since they are normally produced by the Bank of England on a part gold basis only.

Mr. Reginald McKenna may now be quoted. He stated that in 1922 the notes and coin paid into city banks were less than 0.7 per cent. of the total, which means, as he pointed out, that legal currency has been virtually superseded by cheques based on credit. Thus we stumble upon the astonishing fact that money in practice means financial (bank) credit or "bank deposit money," not coinage, and only to a minor extent, bank notes.

Another surprising fact appears. Taking the rough figures quoted—we see that the then available currency in Great Britain amounted to £500 million, but bank deposits amounted to £2,000 million. Assuming, which is not true, that bank notes had a "real" value as based on gold, we see that if all bank depositors tried to lift their "money" it would only be possible in theory (not in practice) to pay a quarter of the sum due. We may put it in Professor Soddy's words that for every four units of bank deposit money outstanding in Great Britain, there is only one currency token (coins or notes) in existence!

So we see that money is not substantial or real, but consists of figures in ledgers. It is book-entry money, in other words. Some may say that nevertheless it represents gold or is backed by gold. This is true in a sense, but the degree of backing now appears.

In 1819, when Great Britain established the gold standard, the deposits in British Banks, according to Mr. Feaveryear's 'The Pound Sterling,' were £16,000,000. When war was declared in 1914 they were £1,216,000,000. It is difficult to know how much gold there was in the

country in 1819. The sum total is commonly estimated at about 18 millions. There were £123,000,000 of gold in circulation in 1914. That is to say, during the period of 94 years, the amount of gold in the country increased by a little over £100,000,000, but the bank deposits increased by over £1,200,000,000." (p. 58 "Breakdown of Money" by Christopher Hollis.)

We cannot leave the gold question without producing another strange fact. How does the Bank of England *buy* gold? We know how a private person buys gold, if he should be able to buy it at all. But what does a bank do?

A Central Bank such as the Bank of England may be said to acquire gold for nothing . . . . the institution concerned writes a draft upon itself for the sum involved, and the general public honours the draft by being willing to provide goods and services in exchange for it. (Major Douglas—"Monopoly of Credit," p. 15.)

So we see that even the gold, to whatever extent it forms the backing to money, is itself bought by book entry manipulation.

Having seen what bank deposits consist of and how they have grown over the years from very humble beginnings, we naturally ask ourselves—where does this money come from, or, better, since it consists of book entries, how do the figures get there?

The answer to this all important question is clear. It is also so very surprising that people can hardly believe it.

Banking deposits come into being to a small extent by cash paid into the banks across the counter; to a larger but still comparatively small extent by purchase of securities by banks, which create book credits. and chiefly by loans from banks, which also create book credits. (Hartley Withers—"Meaning of Money," p. 72.)

Then we have the Macmillan Report, para. 74:—

It is not unnatural to think of the deposits in a bank as being created by the public through the deposit of cash representing either savings or amounts which are not for the time being required to meet expenditure. But the bulk of the deposits arise out of the action of the banks themselves; for by granting loans, allowing money to be drawn on overdrafts, or purchasing securities, a bank creates a credit in its books, which is the equivalent of a deposit.

This convenient mechanism is shown in all its beauty in the the "First Interim Report of the Committee on Currency and Foreign Exchange"—i.e. the "Cunliffe Report."

Suppose, for example, that in a given week the government require £10,000,000 over and above receipts from taxation and loans from the public. They apply for an advance from the Bank of England, which by a book entry places the amount required to the credit of 'Public Deposits' in the same way as any other banker credits the account of a customer when

he grants him temporary accommodation. The amount is then paid out to contractors and other government creditors, and passes, when the cheques are cleared, to the credit of their bankers in the books of the Bank of England—in other words, it is transferred from Public to 'Other Deposits,' the effect of the whole transaction thus being to increase by £10,000,000 the purchasing power in the hands of the public in the form of deposits in the Joint Stock banks and the bankers' cash at the Bank of England by the same amount . . . . . Under the operation of these causes the total deposits in the banks of the United Kingdom (other than the Bank of England) increased from £1,070,681.000 on 31st December 1913 to £1,742,902,000 on 31st December 1917.

Mr. McKenna obliges us with a similar statement in simpler terms in another speech in January 1920. ("This Age of Plenty," p. 40.)

When a bank makes a loan to a customer, or allows him an overdraft, in the ordinary course the loan will be drawn upon or the overdraft will be made by a cheque drawn by the customer upon the bank and paid into someone's credit at the same or another bank. The drawer of the cheque will not have reduced any deposit already in existence, because we are supposing a case in which he has been given a loan or allowed an overdraft. The receiver of the cheque, however, when he pays it into his own account, will be credited with its value, and thereby a new deposit will be created. In the same way, when a bank buys or discounts a bill, the proceeds of sale are paid into the credit of the seller's account and increases the total of bank deposits. And in the same way, when a bank buys War Loan or makes any other investment, the purchase money goes to the credit of somebody's account in some bank, and increases the total of deposits.

In "Post-War Banking Policy" (Heinemann 1928) Mr. McKenna was even simpler, in his statement on p. 93:—

I am afraid the ordinary citizen will not like to be told that the banks or the Bank of England can create or destroy money.

and on p. 76:—

The amount of money in existence varies only with the action of the banks in increasing or diminishing deposits. We know how this is effected. Every bank loan and every bank purchase of securities creates a deposit, and every repayment of a bank loan and every bank sale destroys one.

We see beyond all doubt how banks create money. The next question then follows. If banks can create money as easily as this by a ledger entry, why is there so little real purchasing power available. In other words, is there any limit to the capacity of banks to create money?

Again the answer is clear—again Mr. McKenna, in an address to the Midland Bank shareholders in 1937 (quoted from "The Modern Idolatry," Jeffrey Mark, p. 90):—



variations in the quantity of money are due to variations in the total of bank cash . . . the total of bank cash is determined solely by the action of the Bank of England.

On p. 91 we have a quotation from R. G. Hawtrey, the well known British Treasury economist:—

Under the central bank system, which exists in this and most other highly developed countries, the "cash" of the joint stock bank is simply the obligations of the central bank, the Bank of England. By extending or restricting these obligations, the Bank of England can induce the joint stock banks in turn to extend or restrict credit.

The Macmillan Report, para. 97, states:—

By its control over the cash base the Bank of England is in a position to regulate the volume of bank deposits. . . . The volume of deposits in turn is the approximate measure of the amounts which the commercial banks are prepared to employ in various ways and more particularly . . . . the amount which they are ready to lend to trade and industry if the demand for accommodation is forthcoming.

Mr. McKenna said on another occasion:—

To define monetary policy in a few words, I should say it is the policy which concerns itself with regulating the quantity of money. As I shall show later, it is controlled by the Bank of England.

The last quotation—again from Mr. McKenna ("Wealth, Want and War," by C. Marshall Hattersley, p. 160) in the Midland Bank Review, June/July 1935, states:—

The cash reserves of the Joint Stock banks are now held solely in the form of balances with the Bank of England, and notes in their tills and vaults . . . . The result is that the central bank, *when it thinks it necessary* to increase or decrease the amount of cash\* available, can be reasonably sure, in all but extraordinary circumstances, that its expansive or contractive action will be quickly and faithfully expressed in the liabilities of the banks to the public.

We are now in a position to review at least the framework of the banking system. It should firstly be remembered that the world is divided financially into what are called "credit areas." They correspond closely to national areas but with a varying degree of financial sovereignty. Thus the "great powers," which are of necessity "imperialist," possess the highest, but not an unqualified sovereignty. They are the "credit areas" (e.g. Britain, France Germany, U.S.A., etc.) devolving round a central bank. The so-called colonies, spheres of influence, daughter nations, dependen-

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\* The word "cash" (or "bank cash") as used here is a banker's euphemism. It does not necessarily mean gold coinage.

cies, and the like, are subsidiary credit areas tied financially to the central bank of the governing country.

The "money" in each credit area is quite separate from every other, but since international trade exists, there must be some means of correlating and adjusting the "money" of the credit areas one with another; and thus there comes into being the central bankers' bank, the super-central bank which to-day is (or was) the Bank of International Settlements at Basle.

For our purpose, however, we will meantime restrict ourselves to a description of one credit area—that of Great Britain; but what describes this in effect describes all countries which are financially orthodox.

In each there are three chief types of financial institution, functionally separated but organically interlocked. These are (1) the central bank, which is the government's and the commercial bankers' bank, and which holds the reins and determines, within the canon of international finance, the operations of (2) the joint stock or commercial banks, with which the public deals and (3) associated financial institutions such as discount and acceptance houses, and foreign merchant banks, which have to do with the financing of foreign trade, the buying and selling of currency, and the like.

Neglecting the latter group of banks, since they are concerned chiefly with the peripheral field of operations, we begin by a consideration of the commercial banks, and for convenience we shall deal exclusively with the British system.

The commercial banks certainly do business in coinage and bank notes, may possess gold and occasionally issue bank notes; but by far the greater portion of their "money" consists of nothing more substantial than book entries in a specific and legally authorised accountancy system.

That portion of "money" known as "deposits," which is also conveniently (though not customarily) known as financial bank credit or bank deposit money, is movable chiefly by the cheque system. In any serious consideration of the financial mechanism, the practical importance of this intangible money is paramount, as the work done by it far outpaces that done by any other variety of money. Now two vital questions arise in regard to bank deposit money— (a) how is it created and (b) what limits its volume?

In answering these questions it is necessary to dispel a number of illusions which constitute the facade of banking. Reserving a fuller investigation for a future chapter we shall deal with two serious misconceptions now.

The general view is that bank "deposits" come into existence by the action of customers "putting money into the bank," but we have seen that this is not so, since the deposits come into existence largely by the actions of the banks themselves. Holding the naive view that "deposits" in the absolute sense "belong to the customers," it is natural to think of bank profits as being the difference between interest paid to customers with deposits and interest received from customers with loans; and as a corollary it is believed that when a bank grants a loan or an overdraft, it therefore "lends" its customers "money."

The truth is far otherwise. Says H. D. MacLeod in "The Theory and Practice of Banking" :—

It is commonly supposed that a banker's profits consist in the difference between the interest he pays for the money he borrows and the interest he charges for the money he lends. The fact is that a banker's profits consist exclusively in the profits he can make by creating and issuing credit in excess of the liquid assets he holds in reserve—and in exchange for debts payable at a future time.

As to the idea that banks "lend their customers' money," this cannot be so unless we are prepared to admit a degree of financial rascality which would certainly be impermissible to any other kind of business. If a bank lent its customers' money, then at each loan, all customers ought to be informed as to what proportion of their deposits had been advanced to borrowers. But in fact the banks continue to make loans while their legal liability to their depositors remains unchanged.

The truth about bank lending was only recently made public. In the 11th edition of the Encyclopaedia Britannica (1910) the popular misconception is maintained, but in the 14th edition published in 1929 we read (volume 15 on "Money") that Banks lend by creating credit; they create the means of payment out of nothing."

(Article by Mr. R. G. Hawtrey, G.B., Assistant Secretary to the Treasury.)

The intangibility of this bankers' "money" and the utter necessity for its conservation in the form of ledger entries become apparent in war time. Coinage and notes, if destroyed, can be

replaced with little bother; but destroy the ledgers, the columns of figures on sheets of paper, and the banking business would vanish. It is for this reason that when danger threatens, the bankers make duplicate ledgers for safe keeping.

We thus see in brief the answer to the first question. Now as to the question of the total money volume. It must be clear that the entire economic life of any nation in the last resort is determined by the total quantity of money available. It is true that money is not real wealth and that the same total of available money can be made to do more or less work (i.e. to liquidate more or less things) depending on the "rate of circulation"; but a basic factor in economic life is certainly the total volume of bank deposits available to the community, since these deposits represent the working capital "in toto."

We have seen that any commercial bank "by granting loans, allowing money to be drawn on overdrafts, or purchasing securities," creates a deposit or the equivalent thereof. But the banks can also reverse the process, for by calling in loans, demanding repayments of overdrafts, or selling securities, they destroy deposits (i.e. money).

Nevertheless the commercial banks are not sovereign and do not act alone. It is true that within small limits as determined by a variety of factors, they can with respect to one another increase or decrease deposits; but in the last resort the final control over them is vested in the central bank. The technical aspects of this mechanism have grown from a very simple relationship to one of great complexity; but the basic fact is beyond dispute. To quote McKenna "the central bank (e.g. the Bank of England) when it thinks it necessary to increase or decrease the cash available" to the commercial banks, can be certain that its action will result in a proportionate increase or decrease in the total deposits of the country.

Now what is meant by the phrase "when it thinks it necessary?" Of course it means that somebody, probably the Governor of the Bank of England, thinks it necessary. The next obvious question is—Does he think this in some quite arbitrary way; or is he compelled to act by reason of some still higher authority? In other words, by what method or policy does the Bank of England determine to expand or contract the nation's money; and who or what fixes the limits of expansion or contraction; for it must never

be forgotten that one cannot exist without the other in the present system? This is the systole and diastole of financial credit which we shall now try to understand.

To do so it becomes necessary to know something of central banking, and hence, for our purpose, of the Bank of England. The nature of this celebrated institution will be best understood by a history of its inception and its unique privileges. It came into being by The Bank Charter Act of 1694,\* and it should be said that the secret forces behind its formation and the intrigues of Whiggism constitute a pretty piece of rascality.

The ostensible facts begin with the monetary "difficulties" of William III. A company of financial adventurers under the leadership of one William Paterson was formed, taking the title of "The Governor and Company of the Bank of England." The idea was that the company would collect from public subscribers the sum of £1,200,000 in cash, which they would then lend to the government at 8%, with £4,000 per annum for expenses. In return the Bank of England received a number of privileges of which the chief was the right to issue notes equivalent in total amount to the £1,200,000 lent to the government.

Thus the Bank of England was founded by the sanction of Parliament with two chief objects (1) to lend "cash" to the government and (2) to create an equivalent sum of "financial credit" (i.e. pen and ink money) which in reality was "negative" credit since it put the community in debt to the bank. To quote Hollis in "The Breakdown of Money," p. 50:—

Paterson was quite frank about it. that this privilege which had been given to the bank was a privilege to make money. 'If the proprietors of the bank,' he wrote, 'can circulate their own foundation of twelve hundred thousand pounds without having more than two or three hundred thousand pounds lying dead at one time with another, this bank will be in effect as nine hundred thousand pounds or a million of fresh money brought into the natron.' In practice they did not keep a cash reserve of nearly two or three hundred thousand pounds. By 1696 we find them circulating £1,750,000 worth of notes against a cash reserve of £36,000.

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\* Officially the Tunnage Bill. This scorpion-like Act, passed through the Commons without a division and some 42 members present. was ostensibly a measure to tax ships and liquor for the "Recompenses and Advantages ... to such Persons as shall Voluntarily Advance the sum of Fifteen Hundred Thousand Pounds towards Carrying on the war with France"!!

Later on the Bank of England acquired further powers under the Acts of 1819 and 1844, the position being summed up thus by Hollis (Op. Cit.):—

It is not too much to say that by the two Acts of 1819 and 1844 the government was removed two degrees from sovereignty. The Act of 1819 rendered the government impotent against the banks; the Act of 1844 rendered the banks impotent against the acceptance houses, or, to put what is essentially the same point in different language, the joint stock banks impotent against the Bank of England.

This then gives in brief the various legal sanctions whereby the institution came into existence and obtained sovereign power. Let us now look at the composition of the directorship and try to gain some insight into the nature and policy of the bank and its shareholders.

Again from Hollis ("The Breakdown of Money," p. 56), who quotes Mr. Jarvie's "The Old Lady Unveiled," pp. 11-12:—

I shall analyse the last list of directors published by the Stock Exchange Year Book at the time of writing, that for 1932. It will be found that out of 26 directors, including the Governor, nine are associated with Anglo-foreign merchant banks and six with important foreign or international concerns. Of the remaining eleven, one is a permanent official of the bank without apparent outside connections, two are professional economist organisers, and only eight are partners in industrial companies which are British, more or less. The Treasury is not represented nor are any of the great English joint stock banks. And 1932 was not materially different from any other recent year.

Thus we see that the Bank has no government representatives on its board, nor joint stock bankers, but is chiefly a collection of private financiers belonging to the interlocked organisations of international finance.\* Then there is another point of significance. The Bank of England is a secret organisation in respect that its shareholders and its reserves are unknown, and it does not declare its policy. As far as its operations are concerned, these too are secret. Here is an opinion from Sir Joseph Burn, "Stock Exchange Investments: Lectures to Institute of Actuaries (1908)" quoted from "The Financiers and the Nation"—

The Weekly Return is the only statement of accounts the Bank of England publishes . . . . this is really very remarkable. There is no

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\* The present government has now enacted the nationalisation of the Bank of England.

balance sheet, no revenue account, no annual Report—there is nothing whatever.†  
Here is proof from Parliament—Oral Answers and Questions, May 6th, 1941.

Mr. STOKES asked the Chancellor of the Exchequer whether he will introduce legislation to compel the Bank of England to prepare and print every six months a list of the holders of its share capital, together with a supplementary list showing the beneficial owners thereof, and to make such lists available for the inspection of any member of the public, gratis, at the bank's premises within ordinary business hours?

SIR KINGSLEY WOOD: No, Sir.

Mr. STOKES: Will the Right Honourable gentleman answer . . . whether there is any means by which members of Parliament can ascertain the names of the shareholders of the Bank of England?

SIR KINGSLEY WOOD: I will inquire, and if I have anything to communicate, I will inform the Hon. Gentleman.

Mr. STOKES: Mr. Speaker, in view of the fact that the Chancellor of the Exchequer is not clear on this point, may I ask you whether there is any means by which a Member of Parliament can extract the information for which I have asked?

Mr. SPEAKER: I am afraid I cannot answer that question.

Then there is another matter worthy of note. The Bank of England has powers to act as its own Commissioner for Income Tax. In the Report of the Income Tax Codification Committee Clause 354—we read:—

The right of the Governor and Directors of the Bank of England to act as Commissioners in respect not only of the interest on Government securities paid through them, but also of the trading profits of the Bank and the salaries of its officers, conferred by section 68 of the Income Tax Act 1918. is preserved unaltered in subsection (I) of this clause. (Here follow various clauses.)

Let us now turn to several other opinions on the "Old Lady of Threadneedle Street." Here is the Macmillan Report, para. 71:—

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† Since writing the above, the now nationalised Bank of England issued in April 1947 its first report (cmd. 7115). This 14 page document gives the usual weekly statements, note circulation, and so forth; but once again "no balance sheet. no revenue account . . . nothing whatever" to shed further light on its activities.

But the Bank also holds at command the power directly to increase or decrease the amount of purchasing media in the country by open market operations. If the Bank purchases securities in the market the transaction is settled by crediting the drawing account of the broker or other party through whom they are purchased. This eventually leads to an increase in the balances of the joint stock banks at the Bank of England. The Bank's holdings of securities will of course have been increased by the same operation. The deposits of the joint stock banks at the Bank are the equivalent of cash and the Banks thus find themselves with more than their usual proportion of cash to deposits and are in a position to grant further loans to their customers or otherwise to create additional credit. Since the banks as a whole maintain a cash proportion to deposits of from 10 per cent. to 11 per cent. they are in fact able to increase their deposits by some 10 times the cash created by the Bank of England. By the opposite process a sale of securities by the Bank of England or the calling in of a loan will reduce the cash of the joint stock banks and entail a reduction of their deposits. The Bank of England is thus in a position (provided that it has knowledge of the variations in the note holdings of the joint stock banks) to exercise almost complete control over the amount of bankers' cash in the country. and thus, given the conventions which govern the transactions of the joint stock banks, over the total volume of deposits within such limits as are set by the existence of the international gold standard. The bankers' cash may, of course, be reinforced by gold imports without action on the part of the Bank of England, but it is within the power of the Bank to take steps to offset any expansion of deposits which might thus arise.

Para. 50:—

The Bank of England is almost unique as a Central Bank in that it is a private institution practically independent of any legal control save in regard to its power of issuing bank notes and granting loans to the State. Its foundation in 1694 arose out of the difficulties of the Government of the day in securing subscriptions to State loans. Its primary (?) purpose was to raise and lend money to the State, and in consideration of this service it received under its charter and various Acts of Parliament, certain privileges of issuing bank notes . . . .

Para. 51:—

Apart from statutory provisions regulating the issue of bank notes, the grant of loans to the state and the publication of a weekly account, Sir Ernest Harvey informed us that 'the Bank of England is practically free to do whatever it likes with one exception . . . . There is only one real prohibition that is imposed upon the Bank and that is in the Tonnage Act of 1694, which says that in order not to oppress His Majesty's subjects the Bank is to be debarred for all time from using any of its funds if dealing in merchandise or wares of any description.' (Q.62). 'The restrictions, so far as there are restrictions, under which the Bank works in its operations, are restrictions which the Bank has imposed upon itself and which, of course, it has the power to alter.' (Q.71).

This then completes the picture.



Thus we see conclusively the essential nature of the Bank of England. It is a private company whose basic policy no government has so far chosen to control, and it does not appear that its "nationalisation" will in any way alter this. It is the sovereign arbiter as to the total quantity of money available to the people of Great Britain, and, for that matter, of the Empire. This total is not a fixed, but a variable quantity, which varies from day to day by the action of this company. It is, as we said, the heart of the concern pumping the life's blood of credit through the commercial banks. As it expands or contracts credit so prices go up or down, trade and commerce have booms or slumps and the people work or are unemployed. The Bank of England, therefore, is the final arbiter as to the total volume of bank deposits within its credit area.

Now we shall look more closely into this important question. There are three possible ways in which this function of monetary control can be exercised. Either the governor and directors of the bank exercise it in a completely arbitrary manner to please themselves, or they are not sovereign and have to take orders from a higher financial authority, or they are in the grip of a mechanism which forces them to act as they do.

In theory, the answer to this question is simple. In practice, it is far from simple, chiefly because the theory never worked properly and hence from 1914 onwards the bankers and their governments have resorted to a bewildering variety of devices to keep their sinking ship afloat.

The official theory as to monetary control is that the Bank of England, or any other such central bank, causes contraction or expansion of the total volume of money in accordance with the amount of gold it holds. The basic relationship is, or at least was, also theoretically simple in that for every £1 of gold held by the central bank, the commercial banks were permitted to hold £10 of deposits. But as the pressure of industrial progress caused an even greater demand for money, both the central and the commercial banks resorted to various devices to enable the same amount of gold to carry an increased volume of bank deposits, or, to be more accurate, to enable the same amount of gold to carry an increased load of financial work.

Nevertheless, in spite of all the devices, the basis of "sound" banking and currency is gold; which means in effect that no matter what quantity of goods and services can be produced, the community is sharply limited as to its monetary volume by the gold held by its central bank.

We shall investigate this mechanism more fully later, but it will suffice here to say that the effort of the central banks of the "creditor nations" to maintain a "sound currency" was never anything but a dismal failure; and the gyrations and posturings of the bankers since 1914 present a sorry picture.

One of the great difficulties was the question of international trade. Since the pound, the dollar, the lira, the rouble, the mark and so on, are initially only related to their respective central bank it became necessary to correlate them by some criterion of value for international trading. There was also the still greater problem of interest payments on the international "lending" which usury had rendered necessary.

The bankers' ideal for this difficulty turned out to be merely an extension of the old methods. As it were, they simply "passed the buck" from the central bank to an international super-central bank with gold again as the basis for its operations.

But as the system slowly crumbled away under the pressure of events, first one country and then another broke adrift from the old methods and in the end a state of financial chaos supervened. It is the variety and complexity of the financial makeshifts, and the consequent chaos, which render it impossible to explain simply to the ordinary reader what is happening to high finance to-day.

But this we can say. The Bank of England, while it controls the internal currency and bank deposits in Great Britain, cannot act alone. There are times when, in fact, as in the infamous Labour Government crisis in 1931, it has had to take orders from another central bank.

The truth is that the financial system, in spite of appearances to the contrary, is essentially a world system and it is hence correctly designated as the international financial mechanism. There are recalcitrant areas, of course, of which more will be said; but in the normal course of events pressure can certainly be brought to bear, by a central bank, or group of banks, upon those of other nations. Furthermore, in so far as gold is regarded as the basis of bank

deposits, the central bank is once again in the grip of a system over which it has very little control. There is still a third and very important factor, which is the existence of debt. As we shall see, the creation of bank deposits, although sanctioned by the central bank, is accomplished by a process which creates at the same time an equivalent debt,\* in consequence of which further cycles of debt come into existence. This in turn creates a growing volume of interest payments, with the final result that the community's total debt becomes unmanageable and the banks are forced to contract the total volume of money.

Whatever the truth in any particular instance, then, we can say that the control exerted by the Bank of England, or any other central bank, over the volume of money is determined by the exigencies of the international banking mechanism, by what might properly be called the canon of international finance. This is not to say that individual bankers are automata who blindly and mechanically follow a prescribed course. On the contrary, a considerable discretion is used; but in the last resort the bankers have as much control over the credit cycle of expansion and contraction as they have over their emunctories.

In practice the matter is complex. The creation of money and its final cancellation are influenced by the quantity and price of gold, by industrial skill, by access to raw materials, by political situations, by foreign investment, by dealings in currencies, by the operations of acceptance houses, equalisation funds, and many other factors. Yet the dominant factor is the accepted code of the international banking game together with the variations in the total debt, by which evil and misdirected mechanism the quantity of money (i.e. total purchasing power) available to the peoples of the world is acutely limited, not by malice aforethought or according to some great preconceived plan, but by the blind operations of a mechanism which, once men have committed themselves to it, must retain the rigid interconnection of its parts, or perish.

In order to give the reader a succinct statement of the salient points of high finance, it will be fitting to end this exposition with a very remarkable piece of evidence which was published in 1939

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\* In reality, of course, the debt comes first and the "deposits" are then a secondary consequence.

by the Canadian government. This evidence consists of extracts from the Minutes of Proceedings and Evidence of the Standing Committee on Banking and Commerce. This committee and its deliberations were the result of a financial friction which had agitated the whole of Canada and has kept the political temperature high for the past twenty years.

The chief witness, Mr. Graham F. Towers, was the Governor of the Bank of Canada, which is the central and hence the government bank of that commonwealth. Most of the evidence quoted was the result of interrogation by Mr. "Gerry" McGeer, K.C., a former mayor of Vancouver, who quite clearly and effectively understood the essentials of central banking. The Minutes begin by a useful statement on P. 42 on the nature of money:—

.. Bank deposits, like bank notes and convertible government paper money, represent a form of credit money—indeed, the most important form of credit money and much the largest portion of money in general

Bank deposits are essentially credits entered on the books of a bank recording the obligation of the bank to pay legal tender currency to the persons in whose favour the entries are made. They are transferred from one person to another by a written instruction which normally takes the form of a bank cheque. It should be noted that it is the bank deposit itself, and not the cheque, which constitutes money . . . . Normally, also, the transfer is effected without any withdrawal of currency.

Then on p. 43 we have this statement:—

Central bank deposits are a special kind of money generally used only by banks and governments and therefore not generally regarded as part of the money supply in the hands of the public.

## HOW GOVERNMENTS CAN OBTAIN MONEY

Mr. TOWERS: A Government can find money in three ways: by taxation, or they might find it by borrowing the savings of the people, or they might find it by action which is allied with an expansive monetary policy, that is borrowing which create additional money in the process. (p. 29).

## PURCHASED OF GOVERNMENT BONDS BY BANKS

Q. A banker can purchase a Dominion Government Bond by accepting from the Government, we will say, a Bond for \$1,000 and giving to the Government a deposit in the bank for \$1,000?

Mr. TOWERS: Yes.

Q. . . . what the Government receives is a credit entry in the banker's book showing the banker as a debtor to the Government to the extent of \$1,000?

Mr. TOWERS: Yes.

Q. And in law all that the bank has to hold in the way of cash to issue that deposit liability is 5 per cent.?

Mr. TOWERS: Yes.

(p. 76).

#### BOOK-KEEPING ENTRIES.

Q. Ninety-five per cent. of all our volume of business is being done with what we call exchange of bank deposits—that is simply book-keeping entries in banks against which people write cheques?

Mr. TOWERS: I think that is a fair statement.

(p. 223).

#### THE REAL USE OF OUR GOLD RESERVE.

Q. . . . the need for a currency gold reserve was to-day largely psychological so far as domestic currency was concerned?

Mr. TOWERS: As far as domestic currency was concerned; yes.

Q. Then I take it that you would agree . . . the findings of the . . . British Macmillan Committee, sec. 148 . . . as follows:

. . . it is not necessary that the volume of note issues should continue to be regulated, as it is now, by reference to the amount of gold held in reserve. If . . . the principle is adopted that gold reserves should be held, not primarily against note issues, but to meet temporary deficiencies in the balance of international payments, there need be no obstacle to the creation of a much increased volume of purchasing power without any increase in the supply of monetary gold . . .”

And since then there has been plenty of evidence that that theory has not been worked out but is being more generally adopted as time goes on?

Mr. TOWERS: Yes.

(p. 277).

Q. Now, on page 112 of the Macmillan Report—we find the following:

The sole use of a gold reserve is, therefore, to enable a country to meet deficits in its international balance of payments, until the appropriate measures can be taken to bring it again into equilibrium ....

And it could be done under the administration we have, and the attitude of our Government, without weakening our internal currency system?

Mr. TOWERS: Assuming that the need for expansion was a justifiable one, I would hope and expect that would be the case; yes. (p. 278).

Q. ... having the huge available money resources which we are neither using nor abusing, the elimination of our gold reserve provision in our Bank of Canada Act would not alter the policy of the Bank of Canada or the Government at all?

Mr. TOWERS: No; in other words, that gold reserve provision is in no sense a hampering one and I would not expect it to be in the visible future ....

Q. And if we eliminated that from our Bank of Canada Act, the gold provision of 25 per cent. as against Bank of Canada note issues, it would not affect the monetary policy or the monetary situation in Canada at all?

Mr. TOWERS: It should not; no.

(p. 279).

Q. .... the findings of the Macmillan Committee ... in other words, they made a finding that the volume of purchasing power to be issued through the banking system was not necessarily to be limited by the supplies of gold; and I think we are in general agreement on that?

Mr. TOWERS: Yes.

#### ISSUE OF CURRENCY.

Q. Twelve per cent. of the money in use in Canada is issued by the Government through the Mint and the Bank of Canada, and 88 per cent. is issued by the merchant banks of Canada on the reserves issued by the Bank of Canada?

Mr. TOWERS: Yes.

Q. But if the issue of currency and money is a high prerogative of government, then that high prerogative has been transferred to the extent of 88 per cent. from the Government to the merchant banking system?

Mr. TOWERS: Yes.

(p. 286).

#### CREATING NEW MONEY.

Q. When a \$1,000,000 worth of bonds is presented (by the government) to the bank a million dollars of new money or the equivalent is created?

Mr. TOWERS: Again assuming that there is no decrease in its other investments or loans.

Q. I mean at the time, at the moment. Mr. TOWERS: Yes.

Q. Is it a fact that a million dollars of new money is created?

Mr. TOWERS: That is right.

(p. 238).

Q. Now, the same thing holds true when the municipality or the province goes to the bank?

Mr. TOWERS: Or an individual borrower.

Q. Or when a private person goes to a bank? Mr. TOWERS: Yes.

Q. When I borrow \$100 from the bank as a private citizen the bank makes a book-keeping entry and there is \$100 increase in the deposits of that bank, in the total deposits of that bank?

Mr. TOWERS: Yes.

#### REPAYMENT OF BANK LOANS.

Q. At the present time in Canada there is in the bank portfolios \$1,400,000,000 in bonds?

Mr. TOWERS: Yes.

(Questions by Mr. Landeryou.)

Q. If the government wished to payoff the bank loan—that is, retire this \$1,400,000,000—at the moment they would have to tax \$1,400,000,000 away from the people; is not that right?

Mr. TOWERS: Yes.

Q. Now, we are going to tax the people because under the proposition I am trying to work out we are going to retire these bonds?

Mr. TOWERS: Yes.

Q. At the moment there is \$2,500,000,000 bank deposits?

Mr. TOWERS: Yes.

Q. And we are going to tax the people \$1,400,000,000 to retire the bonds?

Mr. TOWERS: Yes .... the government gives the banks a cheque for \$1,400,000,000 extinguishing the deposits and removing the bonds.

#### HOW MONEY DISAPPEARS.

Q. What has happened to the \$1,400,000,000 in the form of a cheque that comes to the bank?

Mr. TOWERS: The cheque is drawn on the government account in the bank.

Q. Is it cancelled by the bank?

Mr. TOWERS: Well, naturally.

Q. Well, then, that much money goes out of existence?

Mr. TOWERS: Yes.

#### THE IRREDEEMABLE DEBT

(Questions by Mr. Dubuc.)

(p. 240).

Q. If the government by some means could tax the \$1,400,000,000 so that they could buy the bonds that are in the hands of the bank, then the depositors would have to give a cheque out of their bank deposits to transfer it to the government and there would only remain \$1,100,000,000 on deposit .... ?

Mr. TOWERS: In the circumstances you mention to visualize a sudden move of that kind, a sudden taxation in one year of an extra \$1,400,000,000, is visualizing something which simply could not happen.

(Questions by Mr. Landeryou.)

Q. It just could not happen because it would bankrupt the whole nation and destroy the assets of the people?



Mr. TOWERS: The transfer would dislocate the whole economic system.

Q. It would destroy everything?

Mr. TOWERS: Yes.

#### PAPER CURRENCY TO PURCHASE GOLD.

Q. Now, as a matter of fact to-day our gold is purchased by the Bank of Canada with notes which it issues .... not redeemable in gold ..... in effect using printing press money .... to purchase gold?

Mr. TOWERS: That is the practice all over the world ....

(p. 283).

#### BANKS ISSUE A SUBSTITUTE FOR MONEY.

When you allow the merchant banking system to issue bank deposits ... with the practice of using cheques ... you virtually allow the banks to issue an effective substitute for money, do you. not?

Mr. TOWERS: The bank deposits are actually money in that sense.

Q. ... as a matter of fact, they are not actual money but credit, book-keeping accounts which are used as a substitute for money?

Mr. TOWERS: Yes.

Q. Then we authorise the banks to issue a substitute for money?

Mr. TOWERS: Yes, I think that is a very fair statement of banking.

(p. 285).

#### POWER TO CHANGE THE BANKING SYSTEM.

Q. Will you tell me why a government with power to create money should give that power away to a private monopoly and then borrow that which parliament can create itself, back at interest, to the point of national bankruptcy?

Mr. TOWERS: We realise, of course, that the amount which is paid provides part of the operating costs of the banks and some interest on deposits. Now, if parliament wants to change the form of operating the banking system, then certainly that is within the power of parliament.

(p. 394).

### INCREASE OF DEPOSITS AND INFLATION.

Q\_ So that with the increase of \$500 million of bank deposit money (from 1934 to 1938) we have not had any inflationary result?

Mr. TOWERS: We have not. The circumstances of the times have not encouraged it.  
(p. 643).

### FINANCE IN WAR AND PEACE.

Q. ... so far as war is concerned, to defend the integrity of the nation there will be no difficulty in raising the means of financing whatever those requirements may be?

Mr. TOWERS: The limit of the possibilities depends on men and materials.

Q. ... and where you have an abundance of men and materials you have no difficulty, under our present banking system, of putting forth the medium of exchange that is necessary to put the men and materials to work in defence of the realm?

Mr. TOWERS: That is right.

Q. Well, then, why is it, where we have a problem of internal deterioration, that we cannot use the same technique ... in any event you will agree with me on this, that so long as the investment of public funds is confined to something that improves the economic life of the nation, that will not of itself produce inflationary result.

Mr. TOWERS: Yes, I agree with that, but I shall make one further qualification, that the investments thus made shall be at least as productive as some alternative uses to which the money would otherwise have been put.

(p. 649).

### GOVERNMENT EXPENDITURE INDIRECTLY RECOVERED.

Q. You do not suggest that it is necessary that the Government should be able to recover the money that they invest in capital works, providing those works are beneficial to the country?

Mr. TOWERS: The Government indirectly really does recover, because what benefits the country will benefit the Government, and the Government revenue, even although you cannot see that this specific thing has done it.

(p. 768).

## PHYSICALLY POSSIBLE AND FINANCIALLY POSSIBLE.

Q. Would you admit that anything physically possible and desirable can be made financially possible?

Mr. TOWERS: Certainly.

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This, then, is conclusive evidence as to the real nature of the financial system. We have seen how it presents a facade to the public, which is in fact what men accept as the real building.

Now, by the aid of celebrated guides, we have examined the main features of the building. There are still obscure recesses and labyrinthine passages not so far examined and there are the foundations awaiting investigation; but we have seen enough to formulate at least an accurate, if elementary, conception of the fabric of finance.

Before going farther, however, it will be necessary to call attention to certain points which the reader must perceive if he hopes to understand the mysteries of money. As has been indicated in the introduction, verbal communication is impossible unless all parties have agreed meanings for the words and have mutual referents.

Now it will be already appreciated that the common conceptions about money are illusory—or at least they have a basis of reality only in that simplest type of money called coinage, which is real, tangible, and, until recently, was precious as having intrinsic value (e.g. gold and silver).

But as the financial mechanism evolved into a more complex apparatus the original concepts applicable to coinage continued to be applied to other kinds of money, with disastrous consequences. We shall see that the entire mental attitude both in finance and economics is in fact unconsciously dominated amongst all orthodox thinkers by a remarkable system of verbal hocus-pocus.

If we hope to cut through this jungle of words, we shall require to clear our minds of many misconceptions and loose modes of thought. Let us now commence the clarifying process and epitomise the findings of the present chapter.

The first step is to hold in mind clearly what is meant by the word money. It has been used here as a generic term for spending or purchasing power in its widest sense. For our purpose we shall now enumerate five different kinds of money, which are:

- (a) Metal Money.
- (b) Paper Money.

- (c) Central Bank Money.
- (d) Commercial Bank Money.
- (e) Accountancy Money.

METAL MONEY has now no longer intrinsic value and is merely token money. It is but the very small change of the financial system and can be disregarded for our purpose. It is of so little importance that the bankers have left its manufacture and care, which are tedious and troublesome, to their servants, the government. Its chief importance to the bankers is to serve as a basis for their verbal hocus-pocus.

PAPER MONEY is represented by bank notes and government paper money. In orthodox circles a great how-do-ye-do is made about the "soundness" and the "convertibility" of this kind of intrinsically worthless stuff. For our purpose, we shall disregard the official mumbo-jumbo. Whatever the recondite theories, the undoubted fact is that this money is either not backed at all by anything other than the community's ability to create real wealth or it has such a tenuous backing of gold that only the expert eye can detect it. In any event, even if all "backed" by gold, the central bank "buys" this gold literally for nothing, so far as it is concerned, though not so far as the community is concerned, which in the end pays twice for this worthless metal in very hard work. Paper money is, therefore, chiefly a variety of bank-created money. In one of its functions it is of prime importance in the banking myth, since it serves as a basis for bank deposits.

CENTRAL BANK MONEY. As already stated, this is a kind of money possessed and created by central banks, used chiefly by the government and the commercial banks, and not regarded as a part of the money supply in the hands of the public. Now note here how I have described this money as "possessed" by central banks. The reader will understand how subtle is the use of this word. It denotes substantiality—something real which the bank holds, keeps, possesses, and which it can give, divide, move about from place to place, now in London, then in Paris, and so on.

Here we come up against a basic illusion of the whole system. Central bank deposit money has no existence at all save by imagining it exists. It is nothing more than figures in ledgers, though these may have some theoretical relationship to gold. Suppose that we consider £1,000,000 of this mysterious money. Note firstly that we

use the same symbol in reference to it as we do to genuine metallic sovereigns. This is no doubt a convenient fiction which is justifiable so long as we recollect the reality, if any, behind it. But to imagine the central bank "possesses" this money in any substantial sense, is a grave error.

Let us be perfectly clear that this money, and also the varieties described below, only exist because of mutually accepted and legally sanctioned conventions about them. It is true, and we shall later on deal with the question, that this imaginary money sometimes bears a nebulous relationship to metallic money or even to metal itself; but central bank deposit money in the long run is book-entry money, ledger, or pen and ink money, which nevertheless forms the basis of the next variety.

COMMERCIAL BANK MONEY. This is, for our purpose, the most important variety since it forms the basis of all trade and commerce. It is, by virtue of its quantity and the volume of work done by it, the most significant variety of money to the consuming public. Here it is referred to as financial or bank credit, bank-deposit money, or as 'Negative' or 'Debt money,' for reasons that will appear. This money also has no substantiality, yet around it has grown a monstrous fabric of illusion based on ignorance of its real nature. Note again how the expressions used subtly convey substantiality and so on. When we send a cheque for £100 to the bank we "put money in." Similarly we "give money" when we draw a cheque in favour of another. Why, we can actually "remove" our "money" from one bank to another, from one city to another, and so on. Yet what actually happens? Nothing moves, nothing is put in or given; the bank clerks merely credit or debit figures in ledgers, remove the figures entirely and put them in another ledger elsewhere, and so on. Until we clearly hold in mind these operations, we can never hope to understand the bankers' legerdemain.

ACCOUNTANCY MONEY. This variety has not so far been described or dealt with. Meantime, it will be enough to say that it constitutes by far the greatest amount of "money" in the economic system and consists in all sums which merely exist by fictions of accountancy, *having little or no actual monetary equivalent anywhere in the system*, and which "money" does not therefore function as purchasing power.

The reader will note that the five kinds of money have been described in the increasing order of their unreality, commencing with metallic token money which is now so debased as to have only a fractional intrinsic value, through the increasingly nebulous book entry money, to the final Accountancy Money which is as near as can be to nothing at all, including as it does nearly all debt and industrial capital.

The next point on which it is necessary to clear away illusion concerns the "making" of money. Obviously the method of making depends on the kind of it; but here again we must beware of loose verbal usage and convention. Firstly it is to be observed that nobody makes money except bankers and, to a lesser degree, governments. Private citizens who "make money" merely acquire what has in fact been previously made by the financial system.

The expression "making money" should be used only for the manufacture of metallic money, since no other variety is made in the material sense.

For the intangible forms it would be better to reserve the word "creation." This money, like the world in the Hebrew tradition, is made out of nothing; but Accountancy money is not even created. It is exclusively a conceptual figment of accountancy.

In regard to the creation of bank deposit money, it should be noted that the accepted illusions render the correct conception difficult. As this kind of money is merely ledger entries, it follows that to create it is to add to the appropriate sum in the correct place in the ledger. When in the end this money "returns" to the banking system, it is subtracted from the figures in the ledger. By the former act money has been created and added to the community's total; by the latter act it is destroyed or cancelled and removed from the community's total, which is equivalent to saying that the total quantity of money has been thus increased or decreased. The processes of creation and cancellation, of increase and decrease, proceed day and daily in the banking system.

Having now cleared away the difficulties, let us tabulate the evidence so far produced.

- (1) Money for most purposes means bank deposits.
- (2) This money is a bank-created substitute for metallic money.

(3) Bank deposit money chiefly comes into existence by the actions of the banks themselves, which create it initially as a debt at interest, or by other processes which are the equivalent.

(4) The variation in the quantity of bank deposits (and paper money generally) is controlled by the actions of the central bank.

(5) In theory the basis of control is the gold reserve of the central bank.

(6) This gold is purchased costlessly by the central bank.

(7) The rough ratio of total national bank deposits to total currency is as 4 to 1.

(8) Bankers' profits are made out of whatever "money" they can create and issue in excess of their liquid reserve assets.

(9) Banks do not lend their customers' money, when making loans or granting overdrafts. They create or invent the money for the purpose.

(10) Governments obtain money in three ways—:

(a) by taxation;

(b) by borrowing genuine savings;

(c) by the central bank inventing or creating the necessary amount, thereby increasing its obligations to the joint stock banks, which then create new deposits for the purpose.

(11) The repayment of "national debt" is impossible because it would cancel out an equivalent sum of money and leave the community without enough money to carry on with.

(12) The Bank of England is an organisation whose policy shareholders are undisclosed. It has the power to assess itself for income tax purposes.

(13) The banking system is tripartite. The 'First Part' is that of central banking through which money is created. The 'Second Part' is that of commercial banking through which money is distributed; the 'Third Part' is that of the consuming public through which money is utilised. These three functions are, of course, closely interlocked; but an understanding of the three 'parts' is vital to what follows.

## *Chapter Five*

### THE FOUNDATIONS OF THE BUILDING.

We have seen that the facade of finance as presented to the public has a very different appearance from the real structure behind. We have now seen this real structure—how joint stock banks create money by the process of book entry, how the creation and total quantity of the money are controlled by the operations of the Bank of England.\* We have seen the method by which it operates, but to understand this more fully we must now look into other parts of the system.

The foundations of a building are never seen, yet on them the whole edifice is carried; on them depend not only the strength and stability of the structure, but the fundamental shape and size also, and hence their vital importance.

Now, just as banking has its facade, and its real building, so it has its hidden supports which underlie all and give shape, size and stability to the structure. These foundations will now be described. They are, in short, usury, debt and taxation. As in the case of banking we noted that the usual conceptions held by the public bore no relation to the realities, and closed men's minds to any approach, so the normal conceptions of usury, debt and taxation are also fictitious, and constitute another formidable barrier to an understanding of their rôle and nature.

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\* For convenience, the English system is described, but similar methods are used in U.S.A., and in fact any country with a central banking system.



Let us now consider usury. It is an ugly word, but it must be a source of satisfaction to Shylock's successors that it has almost dropped out of use and calls up little in men's minds but archaic biblical and legal injunctions.

It is indeed remarkable how the word usury is so regularly misunderstood and misrepresented; and how the red herring of morality invariably confuses the real issue. It is remarkable that in the nonsense economics purveyed by the orthodox the practice is rarely examined and has no place except perhaps in passing reference to costlessly times.

The O.E.D. gives the following definition:—

The fact or practice of lending money at interest; esp. in later use, the practice of charging, taking, or contracting to receive, excessive or illegal rates of interest for money on loan.

The word to-day is generally taken to mean "lending at excessive or unconscionable interest," though what constitutes an excessive rate is uncertain. For our purpose we need not consider this definition, and usury here simply means "the practice or fact of lending money at interest "; and by interest is meant "money paid for the use of money lent."

It will be apparent, however, by reference to the lending transactions described in the introduction, that usury is of a very variable nature, depending, e.g. on what variety of money is lent, on whether the money is lent by a private individual or by a financial institution, etc.

In a serious consideration of the subject, therefore, it is necessary to particularise carefully. Jeffrey Mark saw this clearly and in his "Analysis of Usury" (Dent. 1935) (p. 26) he distinguished a "major" and a "minor" variety, thus:—

There are two forms of usury. The major form is that represented by bank loans and the discounting of bills. and the minor form by the creation of interest-bearing savings, investments, or inheritances, which, as government or municipal stock, industrial shares, bonds, debentures, mortgages, or capital claims on land, plant and property, make up the debt structure in every country. The common and essential feature in all these processes, here comprehended as the major and minor principles of usury, is the payment of money interest on money lent.

Here the same verbal distinctions will be used, but a further refinement of description will be necessary. It will be obvious that the focus of attention in money-lending has always been on the

interest charge and on the borrower, but rarely on the lender, or on the effects of the transaction on the community in general.

This is mentioned because at the moment there is an ardent and influential group of monetary reformers who are vaguely "against usury." They look with approval on the negligible rates of interest now asked by the bankers from their governments, and now paid to depositors, and seem to regard the diminution, if not the extinction, of interest as the goal of their reforms.

But the interest charge is only one item in a complicated transaction, which in its simplest form involves the whole community. There are in reality seven related factors in the practice of moneylending, and we can classify them thus:

- (a) The kind of money used.
- (b) The creation of the interest claim.
- (c) The creation of the capital claim.
- (d) The payment of the interest claim.
- (e) The payment of the capital claim.
- (f) The effect of the transaction on the parties concerned.
- (g) The effect on the community in general.

In a consideration of usury, therefore, we have to look to many things besides interest. Thus, we have firstly to consider which kind of money is involved, e.g. gold coin, bank notes, bank credit, central bank money, etc. Then we note that factors (b) and (c) are concerned with the conditions laid down by the lender. These conditions may be harsh or otherwise, possible or impossible, and may or may not take stock of, e.g., natural law or moral law. Factors (d) and (e) are concerned with the conditions of repayment. In some loans, for example, no attempt at capital repayment is evidently expected. In others, interest charges may be waived. As regards (f) and (g) we shall see that the most widespread consequences ensue, and it becomes evident that money-lending, which is at the very centre of the entire economic system, involves the whole community in the most diverse and intimate ways.

Then finally, and most importantly, we must always differentiate between lending by private persons and lending by banks or other credit-making institutions. In the latter case "they create the means of payment out of nothing" and *then proceed to appropriate both capital and interest.*

We shall look more carefully into this situation as we proceed, since an understanding of its implications is vital to what follows; but we shall meantime observe that this creation and final appropriation of both capital and interest claims is the special feature of Major Usury.

Here, then, the word 'usury' (in single quotes) will be the generic term and Major and Minor will be appended as necessary.

If, now, we consider the attitude of the wage-earners, to whom money means notes and coinage, we find that to them 'usury' has no significance. These millions of people, accustomed as they are to the tangible forms of money, seldom lend or borrow at interest; or, if they should indulge in such practices, they regard them as unfortunate and exceptional necessities for abnormal times only.

The despised money-lender certainly has his clients chiefly from the working classes, but this type of lending is negligible in amount and much restricted by legislation. Then, again, large numbers of wage-earners, in the aggregate involving a large total of money, have small sums invested in Savings Banks, Savings Certificates, and to some extent in Municipal loans and insurance policies, from which interest may be derived; but the individual sums thus received bear such a small ratio to wages that again the interest question is of minor importance in their eyes.

The middle and upper classes (financially speaking), through whom much industrial capital is provided, do realise the importance of "interest" from investment; and it is this realisation, imperfectly grasped, which is the chief reason why they do not relish any attack upon 'usury.'

A personal digression at this point will be necessary. I am not one of those who aspire to see a classless society, whatever that means. I am frankly at one with the well-to-do in their desire to secure a high standard of living with the least trouble. A clear difference, therefore, between me and the socialists lies in this. The latter evidently desire to extinguish the possibility of a high and easily acquired standard of living (e.g. work for all); whereas I desire to see these benefits accrue to all.

I am frankly anxious not to intimidate or alienate the purveyors of (secondary) capital by this attack on 'usury,' firstly because the community owes a debt to them, not only as supplying much of the capital for industry and commerce, but also as being in the main the

repositories of enterprise and technical ability; and, secondly, because of their undoubted political and social power.

It therefore becomes necessary to stress again the vital difference between *profits* and 'usury.' If four men contribute £5,000 each and give their skill and energy to, say, an industrial venture, and if, at the end of a year, having paid all expenses and made due allowance for depreciation, etc., there remains the sum of £2,000, then each man has made a *profit* of £500. This profit may, of course, be expressed as a dividend of 10 per cent. on the capital invested, but it is not a usurious payment. It is profit, pure and simple. If, however, four men actively engaged in the same venture, commence with £20,000 borrowed from a money-lender at 10 per cent. per annum, then the £2,000 which yearly accrues to the lender is a usurious exaction.

The trouble to-day is that profit and usurious interest are so intermingled that it is often impossible clearly to disentangle them. Nevertheless the nature of the two must ever be held in mind. It is one thing to invest a sum of money in a commercial enterprise, on the workings of which a profit accrues. It is quite another thing to lend money to such an enterprise on usurious terms in the hope of monetary gain. These distinctions are essential to an understanding of financial matters, and have for long been made in e.g., Roman Canon Law, which condemned 'usury' but approved, under safeguards, of profits. In other words, there is a reasonable case for investment, so far as private persons or corporate bodies are concerned, in seeking at least an equitable share of the profits.

Another source of confusion in considering 'usury' is the diverse nature of money. In so far as this only existed in the tangible forms and had intrinsic value, 'usury' was perceptible and had obvious dangers. But with the disappearance of this simple kind of money there disappeared also the obvious money-lending, and people have accordingly ceased to concern themselves with it.

When, however, we come to investigate the operations of banking, we shall see that lending at interest is more extensive and more deadly than it has ever been. Here, again, we meet illusions due to ignorance and false analogy; and we discover that 'usury' in its major and most oppressive form, far from being an obsolete practice,

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\* i.e. genuine "dividends" on the capital.

is the very foundation of the entire economic system and is daily in operation everywhere, although people are ignorant of it.

The same difficulties confront the presentation of the debt problem. Debt means the owing of money. Again we have to think in terms of tangible money, which is scarce, valuable and hard to get. To wage-earners debt is an insignificant element in their lives, and problems relative to it are of no importance. To them, debt is simple. It means spending more than you get; or, worse, proposing to spend more than you are likely to get in order to satisfy a desire or carry out a project. It is the current belief, then, that people who are in debt are living beyond their means, are improvident, feckless, extravagant, and that in some way the same applies to businesses, cities and nations.

But the problem is far other than this. If a man's needs, as is the case with wage-earners, consist of modest personal demands, then he can more or less satisfy them by money earned through his labour. When it comes to the needs of men who run business, or industry, or try to start new ventures, and of those who have to run great cities, the money needed far transcends the emoluments of personal labour.

All do not live by hiring themselves to work. Industry, business and the professions require men to work in another way entirely. In this way there is no longer the simple relation of employee and employer, but a complex relation to society at large. This has nothing to do with abstractionist arguments about labour and capital. Whatever may be the future state of society, it is a permanent necessity to have men who are willing and able to plan, to execute, to direct; men who have inventive capacity, who are capable of putting into operation new methods and new ventures. Then there are also individuals whose gifts lie in the field of personal service or who have high skill as artists and craftsmen, and who comprise the professional classes generally.

Now one factor which separates this section of the community from the wage-earning employees is the paramount need for things outside their purely personal demands. There is the need for apparatus, plant, buildings, for raw materials, human service and labour and so on. In other words, there is a need for money.

This need is not conditioned by any views as to personal gain, though that may be, and in my opinion is, a potent and necessary

factor in the situation. It is conditioned simply by the necessities of the case; and in any event the financial gain, if any, to the individual is far transcended by the real gain to the community, whose entire activities would be stopped if this kind of motive were not admitted.

Whenever, therefore, the need for money arises, it must be met somehow and by somebody. If a man, or group of men, decides to start in industrial manufacture, for example, money is required for the purpose. If a firm already in being engages in a new operation or if it is committed to a large contract such as building a liner, a large bridge, a power station, again money is required, if only till payment is made for the finished product. This in many cases amounts to some millions of pounds.

Where, then, does the money come from? In a few cases, where the amount is small, it might come by a personal cash loan, but in most cases it comes either from public subscription via the stock market or by bank loan on security. What is not recognised, however, is that it matters not in practice through what ostensible source the money comes; it comes in reality and in the long run from the banking system which is the sole source of supply.

The banking system is in effect the primary and the only source for the working capital of industry. It is of secondary consequence how the money, once made and put into the pool, is taken out for use by the public. It may, so to say, be ladled out in spoonfuls, taken in buckets, pumped off or run off, but all processes mean the taking away of the same water. It is in this way, then, that the community gets into debt. It is in this way that professional men, businesses, industries, cities and nations are all, in the last resort, in debt to their banking system.

Consider the lot of a great city which has to run immense utility services and provide roads, police, education and so on, costing millions of pounds yearly. In Glasgow, for instance, these services in the year 1937 cost about £24 million. Now Glasgow raises much of its needed money by taxation through rates, and though Glasgow is a fairly prosperous and was for many years a very prosperous centre of industry, yet this city was then in debt to the extent of £46.5 million. By that year it had raised loans of £80.5 million and repaid £34 million. This debt was made up as follows—The revenue producing departments (i.e. gas, electricity, water, housing,

etc.) were in debt to the extent of £31 million. The rating departments (police, education, public health, and so on) were in debt £15 million. Moreover, one half of the loan debt of Glasgow in 1937 was due to money required for housing (£22 million) and city improvements.

To imagine this denotes that Glasgow is living "beyond its means," and is improvident, or extravagant, is incorrect. Every city, every borough and county in Britain is likewise in debt, and the total of the local Government indebtedness in England and Wales was about £1,500 million in 1939. It has been steadily increasing for years and this debt must go on increasing, for reasons that will appear, otherwise the community would be deprived of all its services and amenities.

The same applies in an even greater degree to a nation. In 1693 Great Britain had no national debt. Such an expression in the then state of the world was meaningless. In 1694 it had a debt of £1,200,000. This had increased by 1914 to £700,000,000—by 1919 to £7,832,000,000, by 1940 to £8,411,000,000, and by 1947 to about £24,000,000,000, and is still going up.

Here people again find themselves making the analogy from personal experience with tangible money. Britain had to "pay for the war," and got into debt just like people who spend extravagantly and live beyond their incomes. It is all so simple. What more can one expect? The Government gets as much as it can by taxation, and if this is insufficient then the State must "borrow." From whom does it borrow, then? Why, of course, from its citizens, or in fact anyone willing to lend at interest.

This brings us to the third element in the foundation of the banking system—taxation. Again people are confused by personal experience with money. So potent is this that successive governments have got away with successive increases in taxation without a word of protest from anyone, until now the taxation demanded is of penal heights, and is simply legal confiscation.

It appears so simple and easy to understand. Cities and governments must have money. It is an imperative necessity, if they are to maintain social services, armed forces, administrative machinery, and the other necessities of "civilisation."

The Chancellor of the Exchequer has the duty of obtaining this money, and what other source is available but the pockets of the

citizens? Taxation, then, is as inevitable and inescapable as the sun and rain. It may be much or little, and may be obtained in a multitude of ways, but there it stands grimly confronting mankind, like death or disease, and to be met with the same stoic resignation.

Let us now turn from these myth conceptions to consider the realities behind them, for which purpose we will now investigate further the nature of bank deposit money.

We have seen that the old tangible forms of metallic money have been largely replaced by financial credit which is created by the actions of the banks themselves. In the simplest sense, this money is created by the granting of loans or overdrafts, but there are two necessary accompaniments. The bank (a) regards the money loaned as belonging to itself and hence to be repaid to it, and (b) the loan is granted at interest. Then there is the other method of creating money by the banks' purchase of securities. This process, though different from the loan method, in the end, as Jeffrey Mark points out, generates the same debt relationship between the banks and the public.

To get some idea of the extent of these methods, we saw from the figures quoted on page 59 that British bank deposits mysteriously rose from 1913 to 1917 by £672 millions. During the same period the national debt also rose by £5,000 millions! According to the myth conceptions of money, if the "people" lent their "money" to the "government" to carry on the war, one would have expected the bank deposits to have almost disappeared by the end of hostilities, whereas in fact they had nearly doubled! Further, if the people of Britain had only some £1,000 odd million of bank deposits in 1913, how was it possible by 1919 to have lent to the government about £7,000 million for the war?

Turning to the next war, how did the bank deposits increase from £1,950 million in 1938 to £5,600 million in 1946? How did the note issue increase in the same period from £527 million to £1,400 million? In these eight years how did the national debt rise by £15,000 million?

The reader who has followed the evidence will now be able to answer the questions. These enormous increases in bank deposits and national debt are, in the first instance, of the bank's own making, and involve a process which, although suitably screened from the public gaze, is plainly and bluntly money-lending at



interest. The banks, including the Bank of England, are simply money-lenders; but their detestable power is not mitigated or their unconscionable terms altered by their new respectability.

There is, then, a vast difference between the lending of the banks and the lending of money between individuals or non-banking corporations. In the latter case the total quantity of money in the community is unaltered. When the loan is repaid, the total is still the same and the whole transaction amounts only to a local shifting back and forward of a sum of money within the system. But when a bank lends it does not give away what it possesses. It creates fresh money for the purpose and injects it into a common pool, whose level is correspondingly raised. But, just as you cannot have a stick with one end, when the loan is repaid the bank cancels out the equivalent sum of money and removes it out of circulation, thus lowering the level of the pool.

Thus we see once again how men are deceived by their myth conceptions about banking. There is, in fact, no analogy whatever between personal lending and bank lending; and herein lies the first major flaw in the attitude of the uninstructed towards debt and 'usury.'

That bank deposits, and indeed almost all money in existence, are debt, is unquestionable. That much of this money stands as a credit to "depositors" is true; but it only exists as a credit to them by virtue of the fact that there is, broadly speaking, an equal sum standing as debt against others somewhere else in the system.

Here let me quote from that champion of "free money," Mr. Jeffrey Mark, in "The Modern Idolatry," p. 88:—

In the true sense of the word, *the public do not own any deposits at all*, and the phrase 'bank deposits' is a legal euphemism. Seeing that all money comes into existence as a debt created in favour of the banking systems of the world, the plain truth is that bankers must always lend their own (created) money, however much it may be criss-crossed between private 'debtors' and 'creditors' subsequently. No one really has any money to 'lend' to bankers on 'deposit,' because all money 'owned' by depositors derives from a loan made by the banks to somebody else. This state of affairs, which has now become a commonplace of economic theory, was not admitted or 'discovered' by bankers in general until about twenty years ago, whereas the fact is that this has always been the case even before the establishment of the bank-credit system, i.e. when currency was controlled by the bankers' note issue .... The net result is that

the public is still unaware of the true state of affairs, and has not been informed, in any particular sense of the word at all, of this new 'discovery' in economic theory. The situation simply is this. Seeing that all credit is created by bank loans, for every 'deposit' in a bank, there is an equivalent loan somewhere else in the banking system, so that the sum total of 'deposits' is equal to the totality of bank loans.

Jeffrey Mark goes on to add that these generalisations are only true if the totality of the bank loans is considered to include (as it should) the discounting of bills and the purchase of securities (i.e "investments") by the banks. But as both these processes generate the same mutual relationship between banks and the public, the implication of the statement is true, and in proof thereof on page 282 of the same work (Appendix B) the following total figures for the British "Big Five" banks are quoted thus:

	December, 1927.	December, 1932
(1) Bank Cash . . . . .	£205,987,000	£206,519,000
(2) Loans . . . . .	£929,684,000	£776,447,000
(3) Day to day loans . . . . .	£159,991,000	£128,080,000
(4) Bills discounted . . . . .	£237,126,000	£407,892,000
(5) Securities held . . . . .	£249,293,000	£472,389,000
Total	£1,782,072,000	£1,991,333,000
(6) Total bank deposits	1,766,172,000	1,983,073,000

(The small difference in these totals, is explained by Jeffrey Mark as representing roughly the amount of notes and coin in circulation).

Here, then, is positive proof that deposits are the equivalent, or the reflection, of loans; and thus we see that, whether we are aware of it or not, every individual in every country with a central banking system is compelled to operate a species of major 'usury' greater and more oppressive than anything hitherto known.

When once the true state of affairs is recognised, another formidable implication becomes apparent. Suppose that all bank debt were to be instantly repaid, the peoples of the world would find themselves bereft of all money except minted coinage. But a still greater absurdity exists in the fact that, under this pernicious system, the debt can never be repaid, for the simple reason that there is no money with which to repay it; and moreover, so long as 'usury' is permitted, the debt must go on increasing at an increasing rate.

To understand what happens in any community, imagine the case of a man who, for business purposes, receives a loan of £1,000 from the community's only bank, which he is due to repay in a year. Now he can only repay with money which the same bank creates. It is true that the repayment may be done with money the man obtains from others in the course of business; but whatever the immediate source, the original and only source of the £1,000 to repay the loan is the same bank which originally granted it.

This in itself is a dangerous situation because the bank in the long run would come to exercise absolute power over the borrower, since it could either refuse to let him have the money at all or, more commonly, could determine the conditions of both giving and repaying the money, which is tyranny.

This, however, is not the end of the story, since the borrower has not only to repay £1,000, but he has to meet the interest obligations and hence will require to pay back more than he originally got. But the extra (interest) payment also must come out of the banking system.

When we understand that in the end trade and commerce cannot be carried on without the aid of bank loans, not because of lack of means or extravagance, but simply because the technique of money creation renders it necessary; and when we consider the system in its totality as the summation of all loans granted, it becomes apparent that as the bankers go on creating "money," in reality they go on creating debt. And this is, in effect, what happens within any given credit area.

If we wish to grasp the problem of bank money in its entirety we must consider the world as a whole. No financiers can argue that we on earth have any monetary operations involving other planets. We are definitely a monetary unit, wherein the sum total of bank deposits for the world is roughly the sum total of the world's money. This total is therefore the total of the world's indebtedness to the banking system.

Suppose for the moment that the system was operated without usury; i.e. that all money required was created as at present as a debt, but without interest. On the one side would be the world's banking system creating money day by day as a loan to the community at large. On the other side would be the consuming public holding this money as a debt to the banking system. The

community would, of course, consist of some individuals who were technically "creditors" to the banks and others who were "debtors," but if we consider the community as a whole, all the money it possesses is made and continues to exist as a debt owing by it.

Now, just as money is created every day by making debt, so money is destroyed every day by repaying debt; and it is clear that such repayment can only be made so long as the banking system *continues to make new loans for the purpose*.

In our imaginary system, so long as new money created was equivalent to loans repaid (i.e. when incoming repayments balanced the outgoing loans) then the total created would equal the total destroyed, in which case the world's volume of money would be constant. If the outgoing loans were more than incoming repayments, then the total quantity of money would increase, and the banks would be on an expansive period. Conversely, if more money were repaid than had been created, the total volume of money would shrink, which would be a contractive phase.

But the actual banking system is a usurious one and creates money by loans which are repaid with interest. Thus the system demands the repayment of *more* than it originally created, which is only possible so long as the banks are willing also to create the additional money needed to meet interest obligations.

The consequence of this is that the debt of the world's peoples to the banking system must go on getting larger and larger; and it is this feature which creates a total debt which is not only irredeemable but which finally multiplies at an increasing rate.

Yet this is but the beginning of the story, because bank deposit money forms the foundation of the entire economic structure. In a prosperous trade year the total money which passes in and out of the bank ledgers in Great Britain is enormous. The figures quoted for 1930 (from the Macmillan report) show a total of some £64,000 million pounds for the cheque clearing houses alone.

Taking the figures given by S. S. Metz (p. 66, "New Money for New Men"—Macmillan 1938):—

The "aggregate turnover of current goods and services, new securities and existing capital assets of, say, £90,000 to £100,000 millions in a year would, at current price levels, no doubt be considered as reasonably active. Out of this, some £65,000 millions might be accounted for by payments made by the London clearing banks. If we assume that this work was performed by

an average volume of, say, £1,200 millions of active deposits during the year, it would indicate that, on an average, these deposits had changed hands between 50-55 times. In other words, that their velocity of turnover was 50-55. In a year of depression that figure might be nearer 40."

(Note here, incidentally, another wonderful piece of banker's idiom—"velocity of circulation"—suggesting the physical movement of material substance. The curious will find in economic text books most remarkable mathematical polemics on this "difficult" question).

What does happen is that the total "deposits" come out of and go into the bank ledgers about once every week—in 1938 about £1,200 millions of deposits on current account—and, of course, it is much greater to-day. Now at every circuit a proportion of this vast sum will be directly spent on consumer goods; but a large part of it will be spent on capital goods and in various kinds of investments, i.e. so-called savings.

This latter portion, however, simply means the generation of further debt, whose total is of surprising dimensions. The chief fields for investment (which is the making of usurious debt claims) are in national government bonds, local government bonds, share holdings in public companies, and, finally, the financing of the hire-purchase methods.

The usual bankers' euphemisms and verbal deceits play a large part in blinding the public here also. When national bonds are acquired, this is called "lending to the government" and thus arose the so-called "national debt." In war time a large portion of this precious "debt" is created in a way which shows to the full the venality of the bankers' system. Suppose the government needs another £1,000 million to carry on the war, over and above what it can obtain by taxation and the borrowing of genuine savings, the whole scheme is arranged by the connivance of the Treasury, the Bank of England and the commercial banks.

Putting it simply, the trick is this—the Bank of England arranges to expand what is pleasantly called bank cash up to the necessary proportion. The commercial banks then approach or are approached by patriotic (!) customers, who must, of course, be known as credit-worthy. On the strength of some security (often a previous purchase of "war loan"), though that is not absolutely necessary, the banks "lend" (i.e. create out of nothing) these customers the

sum of £1,000 millions *at interest*, after which the customers place a like amount with the government.

It is a pretty device, all told, for by means of it\* (a) the banks gets interest payments out of nothing; (b) their "deposits" are enormously increased, also out of nothing; (c) the "government," which is to say in this case the people of Britain, is saddled with a debt which is for ever unrepayable, which is created against them at a time when money is inflated, and so less valuable, and which nevertheless demands interest payments in deflated money, and refunding or other futile efforts at repayment in the same dearer money; (d) the nominal owner is in pawn to the bank.

The reader who has understood this financial device will scarcely need to be told that it is only resorted to by individuals or corporations sufficiently wealthy to have the confidence of the bank. It is for this reason that the chief patriots taking to this form of investment are the very rich industrial organisations which hope to flourish during hostilities, cities and boroughs, insurance companies and allied financial institutions, including, of course, the banks themselves. The end result is clear. The banks in the long run are the owners, directly or indirectly, of the major portion of the money thus created.

The next field for the generation of debt claims out of bank deposits is in local government bonds, and here again we find that, directly or indirectly, financial institutions are the chief owners. The total of this indebtedness in Great Britain and Northern Ireland in 1936 was about £1,600 millions.

Then come the debt claims against industry. Note again the usual verbal deceit. We talk of "shareholders," "subscribers," and so on, but in truth industry is mostly financed by a system which puts it into permanent debt to its shareholders. It is true that a few businesses, and occasionally very large ones (e.g. Henry Ford's concern), either never get into debt or repay it; but in practice the whole of industry and commerce is sustained by an irredeemable debt technique which is conveniently known as "running solvency." The total of this indebtedness of industry, by way of capital, is enormous, most of it being in accountancy money on which, nevertheless, interest has to be paid.

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\* I am for simplicity omitting to consider the present device of Treasury Deposit Receipts.

Lastly, there is the celebrated hire-purchase system which, contrary to current belief, is not restricted to the provision of household goods to the indigent, but is employed to provide anybody with anything, at interest. The magnitude of the debt thus generated is unknown; but we can get some idea of it by a scrutiny of the financial organisations which do this kind of business. The biggest of them are certainly the so-called building societies, which in Great Britain advanced on mortgage some £1,600 millions in the 21 years 1919-1939.

Thus we see that the entire financial-economic structure in every country with a central banking system is rooted in debt. All begins in a fictitious money in bank ledgers, which is debt pure and simple. This then goes out into circulation (in Great Britain as a weekly cycle) to create in turn enormous masses of fresh debt in every sphere of governmental and industrial enterprise; and all this monumental quantity of debt is nothing other than an irresistible tide of 'usury,' with its endless demands for interest payments.

Now let us turn to consider further the realities behind the financial device of taxation. The popular conception, as usual, bears very little relationship to the truth, which truth shows taxation to be simply the counterpart of and generated by debt.

Taxation is the eternal shadow of the usurer, and is not the reflection of the government's need for money, nor is it an inescapable necessity, at least in its present guise. We have seen that debt is chiefly generated by (1) bank deposits, (2) national government loans, (3) local government loans, (4) industry, (5) hire-purchase. The interest and other debt service charges of (4) and (5) are matters of private arrangement between the parties concerned. If these charges should be in default then the creditors must make the best of it. So far as industry is concerned, the usual result is the loss of "money" all round. Capital disappears, share values fall, dividends vanish, and that's that. The complacency with which this phenomenon is received by the bankers is remarkable until we realise that it is in fact one of the important safety valves for keeping the pressure of debt from bursting their boiler!

When, however, it comes to interest payments on national and local government stock and on bank deposits, failure to meet them would be disastrous to the structure of finance; and hence every possible pressure is brought to bear to prevent it. The device-in-

chief to create the highest degree of security is to pass on the interest and other debt service charges to the community at large, and this is accomplished through rates and taxes. The proportion varies, but when local and national government debt reaches its present gigantic amount, the proportion of taxation which goes in interest and "debt redemption" is very high, and may easily constitute the greater part of it.

Some figures are quoted (page 260), but it is difficult to get at the truth. The official data give but a partial presentation of the facts, because of financial subterfuge which obscures the whole position (e.g. block grants from the Treasury to local government authorities) and because of the fact that only direct loans may be disclosed.

Thus the United Ratepayers' Advisory Association made the astonishing estimate that in Birmingham in 1937 the total loan charges amounted to £4,213,452, while the collected rates were £4,685,452. The corresponding figures for Newcastle were £645,937 and £1,267,384.

At last we are in a position to comprehend the true nature of 'usury,' debt and taxation. Such are the verbal camouflage and the financial euphemisms that the ordinary citizen has come to disregard 'usury' entirely as something which has no significance. He likewise thinks of debt as a relatively unimportant item, since it does not concern him directly. He knows that in some mysterious way "the government" is in debt and he has perhaps heard that the city in which he lives is in debt. But after all, he thinks, what does this matter? Governments seem to have plenty of money, and in any event no one seems to trouble about it. As for taxation, he understands it perfectly and accepts it.

But the realities are now plain to see. Far from 'usury' being an outmoded device it is the very heart and soul of the body social. The entire fabric of European civilisation is woven out of it—the banking system is the loom, gold is the shuttle, debt and interest are the warp and woof.

So we see that, whether we realise it or not, we are willy-nilly partakers of 'usury,' and by our entire social activities give it sanction. Indeed the dominance of Europe has caused the whole human race to be bound hand and foot to the usurer in the guise of the international financial system; for the bankers are money-



lenders, and neither title, position, wealth nor culture can expunge the execrable nature of their trade.

By their financial machinations they create a debt, which is not the reflection of "extravagant" personal or corporate living, but is the inevitable sequel of 'usury,' is the cause of an irresistible centralisation of power, and the fomenter of all industrial and international strife.

Neither is taxation an inescapable necessity nor is it primarily a device for obtaining money. It is an age-old concomitant of the moneylender who thereby passes on his interest claims to the community in general, with the sanction of law to enforce them.

Thus we see that the foundations of the financial structure are 'usury,' debt and taxation. But foundations, to be effective, must be suitably placed. The foolish man placed them on sand; the wise man on rock. The bankers chose gold; but this has been unable to withstand the weight of their edifice and now it too disintegrates.

## *Chapter Six*

### THE OBJECTIVE OF THE FINANCIAL MECHANISM.

The reader has now obtained some idea of the construction of the financial mechanism, and how it works. He has, as it were, seen the architecture, and build of the edifice, but not the uses to which it is put.

In other words, the financial mechanism does not exist for its own sake, but for the achievement of some aim, or purpose; and in this chapter it will be our important task to discover what this is.

In the case of a complicated social mechanism, the true 'objective' can only be ascertained with difficulty, and this is especially true of the financial. It has existed for a very long time, and so those who now operate it did not create it, and may very well be in ignorance of its true purpose.

Furthermore, at the risk of wearying the reader, it is to be remembered that the 'objective' of the financial mechanism is not necessarily the 'objective' of those who use it. What we are here trying to determine is the end or aim which the mechanism attains by virtue of its inherent character, which discovery is of the highest importance to the present study; because a mechanism subserves its 'objective' no matter whether those who operate or use it know this end or otherwise. Or, to put it in another way, the supreme importance of a recognition of the 'objective' of the financial system lies in the fact that in so far as men do not recognise it, they are acting in ignorance of, and hence may unconsciously serve, ends which may be at total variance with their own needs and desires.

When we criticise any mechanism we must be clear in our minds as to what exactly our animadversion is directed against. We can either criticise the *efficiency* of the mechanism, or its '*objective*'; but it is a fatal mistake to confuse these issues. If, then, we desire to pass judgment on the '*objective*' we must firstly discover what it is.

The essential of such an enquiry is a realisation of the Philosophy of Mechanism as laid down in Chapter 2. Here it was stated (a) that a mechanism is designed to achieve a specific function or '*objective*'; (b) that a mechanism might have '*non-efficient objectives*'; (c) that it would have by-products of its activity; and (d) that its true '*objective*' could only be ascertained after a careful examination of the entire range of its activities.

It is vital to keep these postulates in mind because the money machinery is a very complicated device with many by-products, and because there is no doubt that even those who use it and operate it are frequently ignorant of its functions.

Thus there are a number of reputed '*objectives*' of banking, and these we shall first examine. The one which occurs to simple-minded people and which in their view is the aim and end of banks, is the safe keeping of money. While this is the function of such types of banks as do not have an account with the Bank of England, it is obvious that it is far from the mark so far as joint stock banks are concerned. It is true that the banking system would be inoperative without "deposits." But so would a motor car without lubricating oil, though no one believes that the object of a motor car is to act as a receptacle for oil.

Then it is believed by business men that banks exist as an easy and convenient means of moving money by the operation of the cheque book system, whereby trade is facilitated and risk of loss and theft eradicated. But this again is a by-product of activity. The Bank of England, which is the bank of banks, has no accounts with the public and no cheque books; and in any case the cheque book method of moving money was in use long before modern banking was invented. No one believes that the safe and easy transport of oil from the sump to the bearings of a motor car is the object of running a car.

More enlightened people believe the function of banks is to finance industry and government. They certainly do, but observation shows that they also bankrupt industry and government, and

so that is not the specific end either. In this country at any rate banks do not directly take part in the financing of industrial ventures or of governments, but act as intermediaries for such purposes, i.e. they finance, but at one stage removed.

The provision of money for these communal purposes is a 'non-efficient objective' of banking, whereby the machine subserves another end, but with great loss of efficiency. It is as if the motor car were used to provide a supply of carbon monoxide for lethal purposes; or, better, as if a fast liner were used to tow an old tramp.

Those who have given study to banking come nearer the truth. They know that its prime function is concerned with the creation of money. In other words, they know about the book entry system of financial credit. It is true that banks create money, but banks do not only create money; they create *and destroy* money. A steam turbine creates steam from water and water from steam, but no one supposes that the object of a turbine is to create and destroy steam. The object of the banks, then, cannot be the creation and destruction of money, which, after all, cannot be an end in itself, but must be a means to some other end.

Now we are arriving at the heart of the problem, but meantime let us remember what is meant by the word money. This thing which the banks create was fittingly described by Mr. Towers (Chapter 4) as "a substitute for money." It is something which is used with like effect but is not a substance. It is described as credit, which would be an excellent description, if by this word is meant, not the opposite of debit, but something akin to its original meaning from the Latin *credo*—I believe, i.e. something believed in and worthy of trust. It is in effect conceptual money whose only tangible representation resides in figures assembled according to legalistic conventions in the books of a special accountancy system.

Those who know a little of mathematics will be familiar with the conception of negative numbers. Now it so happens, though few realise it, that the entire operations of ordinary arithmetic assume that we are dealing with positive numbers; but it would be possible to carry out the same kind of arithmetical operations with negative numbers. Graphically, the former would move back and forward along the right side of the axis; the latter would move precisely equally but in exactly the opposite direction, i.e. along the left side.

This analogy will, help to bring out the fact that all central banking arithmetic is the left-handed or negative variety. The money or credit is 'negative money.' In other words, the expression financial credit is a legal euphemism for financial debit (*debere*— to owe), because all money created in this accountancy system is debt and is what someone somewhere owes to the banking system. *Banks create "money" by book entries which are the equivalent of a debt against the community. The specific function of the banking system is the creation of debt, or "negative money"!*

That this is its real and original 'objective' can be verified in two ways. It appears firstly in the founding of the Bank of England itself. This institution, as we saw, originated not merely to lend money to the government or the King. There were plenty of people who could have lent it, as is evidenced by the fact that these same people did easily subscribe the £1,200,000; but they were only prepared to lend on conditions favourable to and determined by themselves. After all, it is the ancient but by no means undoubted right of lenders to lay down their own conditions! The company which founded the Bank of England lent on condition that it was given legal powers to create an additional sum of £1,200,000 by the issue of bank notes, i.e. by a book entry which was simply a debt against the people of England. It is true that this sum provided also a much needed increase in the purchasing power of the community and thereby benefited it to that extent, but what only a very few clear headed people really saw was the price at which this benefit was obtained. The money thus created was 'negative money,' debt, in short, which by virtue of the mechanism itself could never be repaid.

This initial act of debt laid down the direction which the system has ever since maintained. Governors come and go, and directors likewise. They may or may not truly comprehend the operations of their system, but whether or no, it subserves and must continue to subserve the one aim for which it was formed—debt making for their private advantage. In any case it is worth while pointing out that the actual loan to the government of the original sum was also the making of the national debt, whereby the government renounced its undoubted sovereignty in the realm of credit, transferred this to a private institution, and left it there ever since. In other words, the Bank of England creates debt of a dual nature, one against the

government via the Treasury, and one against the people via the banks.

Another proof that debt creation is the 'Objective' is in the two-sided nature of the banking operations. Thus, banks which are supposed to exist for the secure deposition of money, regularly come to grief. They fail, as is said, and the depositors lose their money. So banks either keep money secure or reverse the process and lose it. Then banks are supposed to be a means of financing and sustaining industry; but when the deflationary period or slump is under way, the banks do the very reverse. They call in loans, refuse credit, sell securities, and so destroy industry. As to the idea that they exist to create money, we see that, so far as the community is concerned, they equally and all the time destroy money.

It must be obvious that no 'Objective' can reside in any function whose nature is thus dual, positive and negative, creating and destroying. But there is one function which is not dual, which never varies, and which, whether in boom or slump, war or peace, or in fact in any circumstances whatever, never varies, and that is *the creation of debt, or 'negative money.'*\*

This conclusion leads now to another matter of the highest importance and one whose significance has not been sufficiently realised. When a mechanism is examined, the question naturally arises—who created this mechanism, and for what purpose? Now this can be answered with regard to a man-made piece of engineering, but can we answer when dealing with, say, a biological or social mechanism?

The truth is that with our present state of knowledge we cannot. In the case of social mechanisms it is true that these are the work of human hands and brains and maybe of known persons, but this begs a number of questions which will be dealt with in due course.† Meantime we have to enquire whether those who devised the present financial machinery did so with a clear understanding of its functions and parts. An answer to this is important. Nearly all monetary reformers imply, firstly, that the system as we know it was consciously designed and deliberately created in all its parts and

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\* It is this *function* which never varies—not the *amount* of the debt.

† See page 374 regarding the nature of "Cause."

functions by a man or a body of men. They further imply that its operations to-day are also so determined. There are several varieties of this dangerous belief. Recently, the incarnating genius was Mr. Montagu (now Baron) Norman. Others believe that the Jews, or, in fact, a Jew, sitting at the head of the Learned Elders of Zion controls finance. Yet others have assigned this high honour to Freemasons or the Jesuits!

This matter acquires importance from the fact that any effort to change the system will be conditioned by the concepts of would-be reformers who, if they believe a certain body of men to be "responsible," may want to attack it. But in any case, this issue is but part of the larger issue as to how and to what degree men control events at all.

With regard to the founding of the Bank of England, there is no doubt about what happened. The founders of this enterprise were the true creators of the present credit-making machinery in Britain, in the sense that they determined the 'Objective.' They laid the rails and chose the direction. But when we enquire whether they realised the full implications of their actions, I cannot believe on the evidence, or on the capacities of human nature itself, that they did. They were no doubt astute business men, who, taking advantage of a credit technique which had been successfully tried out elsewhere, believed they had hit on a first rate scheme for easy money and the acquisition of wealth and power.

I think they no more foresaw what would happen than Columbus, in setting out on his quest for the wealth of India, could have foreseen the present Union of North America!

I cannot believe that the later and more terrifying developments of central banking could possibly have been foreseen by Paterson and his associates. Such omniscience and prevision are not the lot of mortals. I must frankly range myself against those critics who impute either celestial or infernal powers to the banking hierarchy. It is not necessary to meet financiers personally to be convinced of the folly of this legend. It is only necessary to perceive their inability to do other than their machinery obliges them to do to realise their personal limitations.

In any event, if the Postulates of Mechanism are valid, the present day bankers are merely the operatives of a mechanism whose parts

they understand but of whose 'Objective' they may be ignorant; and they are virtually powerless to alter it.

Mr. Montagu Norman was frequently portrayed as an enigmatic satrap with an unquenchable lust for power and as the instigator by malice aforethought of every kind of evil, but when he spoke of the disastrous slump of 1930 he said, at a bankers' dinner in October 1932: "The difficulties are so vast, the forces so unlimited, so novel, and precedents are so lacking, that I approach the whole subject not only in ignorance, but in humility. I will admit that for the moment the way, for me, is not clear. I am willing to do my best."

Here we shall do well to ponder the words of Sir Arthur Salter ("Recovery"--p. 13, 1932):—

To imagine that at the centre of the intricate web of man's economic activities stand a few constructive and controlling intelligences is to entertain a romantic illusion. There are no such Olympians. The intricate system of finance has been built and is operated by thousands of men of keen but limited vision, each working within the limit of his own special sphere. For the most part the system has constructed itself from the separate work of specialists who built into the environment they found about them. Those who have made and worked this system have normally not understood it as a whole; those who have come nearest to understanding it, the academic economists, have not made it and do not direct it. The economic and financial structure under which we have grown up is indeed more like one of the marvellously intricate structures built up by the instincts of beavers or ants than the deliberately designed arid rational works of man.

The picture of banking is now clear. It is a great and intricate mechanism whose 'Objective' as determined by an examination of its results is a *self-cumulative debt*. This mechanism came into being as a result of innumerable forces both patent and occult, and its inception and growth do not appear to have been consciously accomplished at all.

In other words, it is contended that the present banking operatives are working a system they themselves do not fully understand. An analogy will render the problem clear. The central bank is the brewer, the commercial banks are the public houses, insurance and building societies are wholesale agents, accountants are the customs officers and business men the licensed grocers! Now obviously all handle the beer, but none save the brewers need know how it is made.



As for bank clerks and bank men in general, these underpaid, often overworked, and always regimented, men are the impeccable and efficient manipulators of bank deposit and till money. They have been subjected to a special education in banking "theory" and not one in a thousand understands the internals of the system. The very senior administrators of the commercial banks are experts in their particular lines, and some of them at any rate perfectly understand the financial relationships between them and the central bank; but even they may not grasp the true nature of the system *as a whole*. Their eminence is, in the last resort, due to their comprehension of finance as conceived within the framework of accepted professional theory and practice.

As for the directors of the central banks themselves, there is little to show that these men understand banking as a whole either. They, too, it would appear, are limited to the theory and practice of their end of the machinery. I cannot believe that any central banker who fully grasped the significance of his professional actions could or would continue to play a consciously sinister part. He would have no choice but to resign, and this, in fact, happened to a Bank of England director not so long ago.

However, no useful end would be served by going further into this point. The evidence available shows that banking personnel are the custodians and operators of a very complicated piece of machinery which they inherited and did not construct. Each mechanic, so to say, has charge of a part of the apparatus which it is his duty to keep in order and whose workings he understands. Each knows the normal sequence of the working parts under his care, but would be quite unable to predict the result of even a minor alteration of the machinery.

The engineers in charge likewise, take over an already running mechanism which they control efficiently under normal conditions of load. They are, however, in the position of marine engineers who are never allowed on deck and who don't know where the ship goes and what the propeller shaft does outside the hull, and when the machinery meets unusual loads the chief engineer has to confess that "the difficulties are so vast, the forces so unlimited . . . . that the way . . . . is not clear!"

The reader may well feel surprised at the ignorance of the bankers; but it is to be remembered that this ignorance is only with

regard to the true nature and 'Objective' of the system. In respect of the actual workings of the system the bankers are in their own limited fields specialists whose knowledge therein is superior to that of any outside student. In due course more will be said on this subject, when the reader will understand that ignorance as to 'Objectives' is not peculiar to bankers, but is the universal fate of the leaders of all the seven social mechanisms, who therefore direct their apparatus to serve unknown and sometimes wholly disreputable ends.

## *Chapter Seven*

### THE WORLD DISEASE.

In the previous chapters we depicted the usurious technique by which debt is created and through which power is centralised. The centralisation of power can be readily traced in recent history; but the ultimate results of 'usury' are not so easily perceived, because of the slowness of the cycle of operations, which usually extends over several centuries.

This means that the resulting disasters happen with such infrequency that they may only be witnessed by one generation of men in many, and to perceive the sequence of events we must consult history.

To those acquainted with the facts there can be no doubt as to; the antiquity of moneylending at interest. Extant evidence shows that it was practised in ancient Egypt, Persia, Babylon, Greece and Rome; and there is evidence that it has always been regarded as a disastrous device. It is, as has been shown, at the very foundation of our European civilisation, which, for good or ill, is now world dominant.

Let us now present a brief historical review, beginning with the ancient Jews. In the book of Nehemiah V (1-12) we find this—"We have borrowed money for the king's tribute, and that upon our lands and vineyards . . . and lo, we bring into bondage our sons and our daughters to be servants . . . neither is it in our power to redeem them for other men have our lands and vineyards."

Note that the hoary device of taxation is here associated as ever with 'usury.' The king had demanded tribute, which could only

be obtained by borrowing at interest. We are not told, but it is evident that this king, like more recent kings, had not assumed power to make his own money, and so his subjects had recourse to the moneylender. The borrowers did not take long to find out the catch as to loans . . . neither was it in their power to redeem them! The inevitable age-old result of 'usury' is graphically described . . . other men get their lands and vineyards.

When we turn to Usury in the Encyclopaedia Britannica, Vol. 27, 11th Edn., we find this extraordinary piece of history. In Athens about 594 B.C.:—

The bulk of the population, who had originally been small proprietors or metayers, became gradually indebted to the rich to such an extent that they were practically slaves. *Usury had given all the power of the State to a small plutocracy.*

When we turn to Rome at that same period, we find exactly the same difficulties arising, but here they were never successfully met. As in Athens, the mass of people were yeomen living on their own small estates, but in time they became hopelessly in debt. Accordingly, the legislation of the XII. Tables, about 500 B.C., was intended to strike at the evil by providing a maximum rate of interest. Unfortunately, however, no alteration, was made in the law of debt, and the attempt to regulate the rate of interest utterly failed. *In the course of two or three centuries the small free farmers were utterly destroyed. By the pressure of war and taxes they were all driven into debt and debt ended practically if not technically, in slavery. It would be difficult to overestimate the importance of the influence of usury on the social and economic history of the Roman Republic . . .* In 84 B.C. the war tax imposed by Sulla on the province of Asia was at first advanced by Roman capitalists, and rose within 14 years to six times its original amount. (My italics.)

The full story of the decline and fall of the Roman empire from the point of view of economic history has been told in a monumental work referred to by Jeffrey Mark in "The Modern Idolatry" (p. 174 et seq.) I gladly quote in full:—

A reading of G. Ferrero's great work 'The Greatness and Decline of Rome' . . . will make it plain that this empire, at least, was broken by usurers and usury. The fall of Julius Caesar was essentially brought about by his inability to cope with and cut through the desperate competition for wealth in which all Italy was engaged . . . (and which ended) as it seems such competition will always end, in a gigantic accumulation of vested interests which it needed nothing less than a revolution, a cataclysm, to break down. (Translation by A. F. Zimmern, 5 Vols. London. Heinemann 1907).

In those days Italian society had become an inextricable labyrinth of debit and credit, through the agency of 'syngraphae' or letters of

credit which were renewed as soon as they were negotiated in the same way as securities and bills of exchange to-day, because the scarcity of capital and the frequent oscillations in prices would have made it ruinous for them to be redeemed too frequently.

The many readers to whom these facts are unknown will note with astonishment the ominous resemblance between ancient Greece and Rome and our modern selves. It is the same sorry tale. The landowners and small traders, the independent sturdy middle classes, get into debt, slowly but surely deeper and deeper into the quicksands of 'usury.' Finally, they are all in debt and they are all slaves, all engulfed—"utterly destroyed" as the quotation says.

Here are historical facts about 'usury' dating from 2,000 to 2,500 years ago. Let us examine them in view of the situation to-day.

In the Greek State of Athens the bulk of the population became indebted to the moneylenders, and so they were socially exterminated. The result of the destruction of the independent landowners and tradespeople was much more than their disappearance as a social class. It was a corresponding rise of another class who acquired economic and finally political power. The Encyclopaedia Britannica puts it perfectly. "Usury had given all the power of the State to a small plutocracy." (Plutocracy—rule by the wealthy).

It is interesting to note that Solon, the great statesman of the period, was forced by circumstances during early manhood to engage in foreign trade, and he thus acquainted himself with the methods of finance. At this time, as the above quotation shows, there was great distress in Attica, and Solon was summoned to provide a remedy. He was given unlimited powers for the purpose, and he forthwith made sweeping economic and other reforms, though not without opposition and danger, for he had at one time to flee the country for his personal safety. The Solonian reforms began with the famous *seisachtheia* (the shaking off of burdens), i.e. cancellation of all debts both public and private. Security on the debtor's person was made illegal, those in bondage were restored to freedom and their lands returned, and there were other constitutional reforms also, which history shows to have been effective, but which only temporarily curbed the powers of the moneylender within the State.

When we turn to Rome at the same period, we find that debt here also wiped out the small free farmers. We note, too, that

legislation to curb 'usury' totally failed and that the effects of this practice were not fully manifested for several hundred years. Thus we find legislation 500 years B.C. to deal with the abuses of money-lending and debt, but the small farmers were not eliminated until between 200 and 300 years had passed. This, of course, brings us into the heyday of the Roman republic, but it actually took about 500 years to complete the destruction of the power of Rome.

The reader would do well to recollect the main events in Roman history. There was the Republican period of acquisition of empire from 569 B.C. to 265 B.C. During this period Rome became mistress of all Italy, and then spread into regions farther afield. By the end of this period she was involved in war with her trade rival, Carthage, which was defeated and required to cede territory and to pay a large indemnity in cash.

This was the beginning of the imperial methods of oppression and conquest overseas lasting until about 150 B.C., by which time the Mediterranean was subdued. During this period the exploitation steadily increased. Taxation and tribute were the principal administrative methods, but behind all were the financiers who had ruined the middle classes and small landowners by 'usury.' The succeeding period from about 150 B.C. to 50 B.C. was the breaking-up phase heralding the end of the whole system and empire.

It has always been a matter of astonishment how popular and school history fails to convey what the actual conditions in the Roman empire were at this period. We are apt to think of Rome as the centre of civilisation and to regard the various wars and conquests as detached incidents created simply by the warlike nature of less civilised "barbarians."

The truth is that Roman history is incomprehensible until we understand the rise of a monied, or as we might properly say, a financial, class who lent at 'usury.' As in Britain, the old constitution of Rome aimed at making the "will of the people" sovereign. There was in theory a kind of democracy. The old patriciate had gone out of existence and as soon as the financiers acquired enough power they infiltrated the senate and defied the people. They also hit on the expedient of giving themselves titles and thus created a new "nobility" with an old style flavour. In due course these self-ennobled plebs made alliances with what

remained of the patricians of the old order, and thus developed the plutocracy which ruled the empire.

How modern it all seems! Here, too, in England, we have the heads of the vested interests taking titles to themselves and making connections by various devices with the decaying old nobility, the new combination in effect constituting the oligarchy which abrogates the sovereignty of parliament.

But by 150 B.C. there were signs of popular revolt, because the condition of the lower orders of society grew steadily worse. The reason is obvious. There had grown up in Rome an army of officials who were the inevitable accompaniments of a powerful financial oligarchy. The moneylenders had by now become simply credit lenders, and they had accountants, contractors (*publicani*, who exploited the tax payers and the merchants), speculators, brokers, and so on. The provinces all paid tribute, while the power of the financiers steadily grew. The small farmers were exterminated, and their lands went bad or were made into private estates. Food was no longer grown in Italy, but had to be imported, because it paid the bankers better to deal in foreign loans and foreign trade. We find, just as to-day, that the farmers could not "compete" in price with foreign corn nor with farms owned by the wealthy and worked by slave labour.

The great Roman families had agencies all over the Mediterranean, lending money at enormous interest. The large cities of the provinces were in due course completely ruined by these impositions. As Rome became more and more parasitic there arrived the money lenders and millionaire monopolists in dyes, wheat, linen, corn, shipping and transport, and in fact the whole *armamentarium* of 'usury' with only the telephone and typewriter missing. These commercial barons lived in magnificent villas in the most opulent style, with slaves and functionaries and all the loot of Greece.

We find that the tax farmers, lawyers, and business experts banded themselves together (like our own Administration and vested interests) and, as servants of their financial overlords, constituted an instrument of oppression on the common people. This was the period of the "bread and circuses," the equivalent of the "dole" to pacify the dispossessed proletariat and stave off the final disaster. To keep themselves in power the monied class then resorted to

wholesale bribery and corruption. (We have a more subtle variety of this to-day in our "social Services.") By this time also, to keep the community in subjection both in Rome and the provinces, there was an oppressive military service which amounted to slavery.

All this finally led to revolts, of various kinds, and to refusal to accept military service. Then came a succession of would-be reformers who by innumerable laws tried to stem the rot. But these were not to succeed, as laws never succeed which do not touch the cause of the decay.

These civil disturbances and internal wars led finally to the end of the republic and the beginning of the Rome of the emperors which lasted from 27 B.C. to 284 A.D. In this period the centralisation of authority became complete and the financiers had even greater powers. The central authority was a bureaucracy, of which the leaders were the procurators who administered the imperial revenues and properties. The more successful of these were rewarded with governorships and with what would now be called ministerial office, of which the financial secretary to the emperor was one of the chief!

In due course there began the Caesar worship of the deified head of the State. A series of homicidal lunatics occupied the imperial throne, including Nero, the royal musician. As a result of the efforts of a few able rulers some of the abuses were curbed, and more equitable financial conditions enforced; but the power of the usurious mechanism was in the end too great. The bureaucracy continued its oppression, increasing the cleavage between rich and poor and separating the elements of society into irreconcilable factions.

War, pestilence and disorder became endemic. Commerce was stopped, cities decayed, land went waste, and the enormous parasitic bureaucracy which had grown in numbers, complexity and power, now found that without the production of real wealth it became a rabble. 'Usury' had done its work. The top-heavy debt structure collapsed and the hordes of "barbarians" were at hand to complete the rout.

The economic state is thus described in the Encyclopaedia Britannica (11th Edit., Vol. 23—Rome):—

Among the graver symptoms of economic ruin were the decrease of population, which seriously diminished not only the number of tax-



payers, but the supply of soldiers for the legions; the spread of infanticide; the increase of wastelands whose owners and cultivators had fled to escape the tax collector; the declining prosperity of the towns, and the constantly recurring riots and insurrections, both among starving peasants as in Gaul, and in populous cities like Antioch. The distress was aggravated by civil wars, by the rapacity of tyrants . . . but above all by the raids of the barbarians.

The picture is only too familiar. It is the inescapable result of 'usury.' Why did cities rot, commerce languish, and fields decay? There were the same people and the same methods, and the undoubted ability to create all the real wealth needed. Why did it all cease? It ceased because of the self-cumulative debt which centralised power, and created and kept in being an ever growing army of bureaucrats who were not only non-productive but whose oppression gradually destroyed all initiative by means of ever growing taxes and regulations.

It is worth while noting that towards the end of imperial Rome there appeared cut-throat competition, totally uncontrollable oscillation of the price level, and such a maze of debit and credit that the credit creators dare not demand redemption of their debts but simply allowed renewals when repayments were due.

Here are the signs—one might almost say the classic signs—of the extinction of society under 'usury.' The enslavement of man by the power of 'Negative Money' operating through the social mechanisms is an ancient and now world-wide phenomenon. It not only causes distress and frustration within the borders of any country, but poisons external relationships with all other countries; and so the respective peoples are made catspaws of the system and have to stand the responsibility for financial action whether they realise the results of that action or not.

There is another simple demonstration of the nature of the money mechanism which seems to have escaped notice. Again let us use a medical analogy.

When a patient is ill, the first task of the physician is to make a diagnosis. In such a case it is a dictum of the medical art that a correct diagnosis must cover all the symptoms manifested. Putting it another way, the physician must find one single disease which is capable of showing all the symptoms. There is a further test which may be applied. A correct diagnosis will indicate the development of future symptoms, and the public subconsciously understand this.

If a physician diagnosed, say, four different diseases as affecting a patient at one and the same time, his opinion would be regarded with just suspicion. Moreover, if he treated the supposed diseases by four different methods with no benefit, and then tried four other methods without success, it would be evident that the patient's difficulty lay not so much in his illness as in his choice of a physician.

Now the world is an organism suffering from a disorder which has a wide variety of symptoms. The curious thing, the arresting thing, is that these symptoms appear in a definite order. They also appear in every part of the globe, except in its "uncivilised" portions. They come out everywhere, irrespective of race, nationality, climate or position.

The symptoms are in fact the whole gamut of social disorders, chief of which are poverty amidst plenty, civil and political disorder, frustration, loss of liberty, and strife of every kind, ending finally in war—in short, the gamut of human dissatisfaction. These symptoms have afflicted the world for many centuries, though with intermissions. They were manifested very clearly at the end of the Roman empire, and have never disappeared. The present attack began about three hundred years ago and has developed with increasing violence ever since. The disease now is pandemic.

The curious feature is that the symptoms appear under every condition except one. They are found in countries on the gold standard, or off it, in those with blocked currencies, managed currencies, or on barter; in countries full of gold (U.S.A.), or countries with none (Germany); on free trade and on tariffs; in countries with access to all raw materials and in those with almost none, in industrial as well as agricultural societies, in countries which chiefly export and those which do not.

They appear with equal indifference under every political situation—in monarchies (constitutional or otherwise), in democracies, in plutocracies, under dictatorships whether of race or proletariat, under Socialism, Liberalism, Conservatism, Communism, or any other kind of politics so far invented, and also under every religion or none; and, best of all, they appear under Federal Union (Switzerland, Russia and U.S.A.)!

Now what actually are those various conditions enumerated? Why do countries have changes from one kind of government to

another, from one political theory to another, and why do they have innumerable methods of dealing with trade, money, taxes, and so forth?

The answer is plain. These methods are not devised, often at great trouble, for the fun of doing them. They are done because of the existence of social disorders which it is hoped to cure thereby. The various devices are in fact "treatments" for the sick body politic. Now if none of them cures, and most obviously none of them does cure, the treatment has been wrong, and indeed we know that the diagnosis has also been wrong. This sick world has had many physicians, and each has diagnosed a different disease and tried a different remedy.

Now it would seem plain sense to enquire if there is any one single factor which operates universally over the globe, and which is common to all the places and peoples afflicted; because if so, then in that factor somewhere lies the seat of the trouble.

Actually there is one factor, and one only, which pervades all places and enters into all situations. It is financial credit, the veritable life blood of the nations. It is curious how this ubiquity of the international money system has provoked so little comment. For long centuries Buddhism, Christianity and Islam have aspired to world conquest, to universality, and much has been sacrificed to that end; yet in the space of 300 years the money system has achieved what neither religion, nor culture, nor nationality, nor conquest has ever accomplished, and that is—complete world domination.

If there is a common pathology for the world's disease, it can only lie here, as this is the only common factor. If this view is correct, then we can easily follow the course of events. Firstly, since the disease has never been officially diagnosed, it is to be expected that no satisfactory treatment has been available. Secondly, when the nature of the system is known, it is possible to explain every social disorder and most of our history in terms of it. Thirdly, it should be possible to predict future developments of the disease, and this has already been done by Arthur Kitson, Major Douglas, Eisler and others. Lastly, wherever the money system is not used, there should be no disease, and is this not indeed what we do find? The only communities free from symptoms are the so-called uncivilised ones which have not yet been fully corrupted by the money

contagion. Conversely, wherever the money system is most powerful, there the disease should be worst; and this again is the case.

It should be remembered that it is not money itself which is the causal factor, but 'Negative Money,' i.e. it is the system whose end is debt and of which the fatal virus is 'usury.' We have seen the clear lessons of history and the opinions of the greatest men. The history of Rome should be above all significant to us in Britain, for our path is also that of imperial domination by debt. The fundamental flaw in this system is the inevitability of self-destruction, like those bacteria whose activities cease because they poison themselves with the products of their own metabolism.

It is interesting to note another explanation as to why 'usury,' at least in its major forms, is unworkable. When a lender advances money with the hope of receiving interest on it, there are three conditions which must be fulfilled before interest can accrue.

Obviously money cannot make money by any method of reproduction. Money can only fructify by the intermediary of another's labour, in which case there must firstly be a lapse of time. This will seldom be less than a year, and in the case of growing teak or mahogany, it may well be 200 years. Then risks must be run. These may be and often are outwith the control of anybody, least of all the borrower. Finally, the money lent must, for the major duration of the loan, be inaccessible; or, as it is put, not liquid. This means that it is no longer in existence. It has been spent on wages, materials, and so forth, and can only reappear if and when the object of the enterprise has succeeded, if indeed it is ever accomplished.

Now these three conditions are not rules made by economists. They are, in effect, conditions contingent upon the exchange of solar energy and hence are part of the physical system of the universe. As such, there can be no question of their abrogation.

Now minor usury in the form of industrial share holding and the like is such that borrower and lender may run an even risk and all parties are content to wait for the fructifying of the enterprise. But in the case of most gilt edged investment, especially government loans, and in credit creation by the banks, i.e. major usury, the circumstances are different.

In the latter, the community must satisfy three conditions laid down by the bank, namely, that interest payments fall due forthwith, that no risk shall be run (collateral securities) and that the loan is recallable at will (i.e. the money is always liquid); conditions which are therefore unworkable.

We know that this impossible procedure is the universal practice, the very basis of banking, and in fact our money is created by a usurious process to which all three conditions are attached; and we are therefore all partakers of 'usury' in its major and most disastrous form.

The structure of credit is built on it, and the mortar which binds all together is the old bitter blend of blood and tears. This may sound overstretched, fantastic, poetic. It is truth.

In order to epitomise the workings of the financial mechanism the reader would do well to consider the following story from Tolstoy's "What Then Must We Do?" (World's Classics Edition, page 115 et seq.) It is the history of the Fiji Islands from 1859 till the British Government annexed them in 1874.\*

In the rush to exploit the Pacific, some American planters set up business in Fiji. By various pretexts they acquired land for cotton and coffee plantations and proceeded to hire native labour under contracts which were incomprehensible to their employees. Soon conflicts ensued and an American was killed. The U.S. Government forthwith sent naval ships to demand \$45,000 from the Fijian King Thakombau, under threat if the money were not forthcoming.

It is most unlikely that the Fijians had the least idea what was demanded. They themselves had no knowledge of money or of arithmetic. Dollars they had none and a figure of thousands was incomprehensible. In his dilemma, King Thakombau asked Queen Victoria to take the islands under her protection, but the British Government acted with due caution. Meantime the American Government not only raised the demand from \$45,000 to \$90,000, but seized some of the best land in security. The King then sought the advice of some British settlers, who forthwith suggested a plan to acquire the money to buy off the Americans. Let us proceed in Tolstoy's own words (Aylmer Maude's translation, P. 118):—

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\* I am aware that Tolstoy's facts have been challenged; but even if not factually accurate this story is of first significance.

So, pressed on all sides, poor Thakombau, who was ignorant of European methods of arranging credit transactions, began, on the advice of European settlers, to seek money from Melbourne merchants on any terms, even if he had to yield his whole kingdom to private persons. And so in Melbourne, in response to Thakombau's appeal, a trading Company was formed. This Company, which took the name of the Polynesian Company, concluded an agreement with the Fiji rulers on terms very favourable to itself. Undertaking to meet the debt to the American government, and engaging to pay it by certain fixed dates, the Company under its first agreement obtained 100,000 and later 200,000 acres of the best land at its own selection, with freedom for all time from all taxes and duties for its factories, operations and colonies, and for a prolonged period the exclusive right to establish banks in Fiji with the privilege of unlimited issue of bank-notes. Since the signing of that contract, finally concluded in 1868, the Fijians were confronted, side by side with their own government under Thakombau, by another power—the influential trading Company with great landed possessions on all the islands and a decisive influence in the government. Till then Thakombau's government for the satisfaction of its needs had contented itself with what it obtained by various tributes in kind and by a small customs duty on imported goods. With the conclusion of this agreement, and the establishment of the powerful Polynesian Company, its financial position changed. An important part of the best land in its dominions passed over to the Company, and so the taxes diminished; on the other hand, as we know, the Company had a right to the free import and export of goods, as a result of which revenue from the customs was also reduced. The natives, that is to say 99 per cent, of the population, had always been but poor contributors to the customs revenue, for they hardly used any European goods except a little cotton stuff and some metal ware; and now, when through the Polynesian Company the wealthier European inhabitants escaped the payment of customs dues, King Thakombau's revenue became quite insignificant and he had to bestir himself to increase it. And so Thakombau consulted his white friends as to how to escape from his difficulties, and they advised him to introduce for the first time in the country direct taxation, and, no doubt to facilitate matters for him, it was to be in the form of a money-tax. The levy was instituted in the form of a general poll-tax of £1 on each male and four shillings on each woman in the islands.

Even to the present day in the Fiji Islands, as we have already mentioned, the cultivation of the soil and direct barter prevails. Very few natives have any money. Their wealth consists entirely of various raw produce and of cattle, but not of money. Yet the new tax demanded, at fixed dates and at all costs, a sum of money which for a native with a family came to a very considerable total. Till then a native had not been accustomed to pay any personal dues to the government except in the form of labour, while the taxes had all been paid by the villages or communes to which he belonged, from the common fields out of which

he, too, drew his chief income. He had only one way out of the difficulty: to obtain the money from the white colonists, that is, to go either to a trader or a planter who had what he needed—money. To the first he had to sell his produce at any price, since the tax-collector demanded it by a given date, or he was even obliged to borrow money against future produce, a circumstance of which the trader naturally took advantage to secure an unscrupulous profit; or else he had to turn to a planter and sell him his labour, that is to become a labourer. But it turned out that wages on the Fiji Islands, in consequence probably of much labour being offered simultaneously, were very low, not exceeding, according to the report of the present administration, a shilling a week for an adult male, or £2 12s a year; and consequently merely to obtain the money to pay his own tax, not to mention his family's, a Fijian had to abandon his home, his family, his own land and cultivation, and often to move far off to another island and bind himself to a planter for half a year, in order to earn the £1 needed for the payment of the new tax; while for the payment of the tax for a whole family he had to seek other means. The result of such an arrangement can easily be imagined. From his 150,000 subjects Thakombau only collected £6,000; and then an intensive demand, previously unknown, began for taxes, and a series of compulsory measures. The local administration, previously honest, soon came to an understanding with the white planters who had begun to manage the country. The Fijians were taken to court for nonpayment and sentenced, besides the payment of the costs, to imprisonment for not less than half a year. The rôle of prison was played by the plantation of the first white man willing to pay the tax and legal costs for the prisoner. In this way the whites obtained cheap labour to any desired extent. At first this handing over to compulsory labour was permitted for a period of six months only, but later on the venal judges found it possible to sentence men to even eighteen months' labour, and then to renew the sentence. Very soon, in a few years, the picture completely changed. Whole flourishing districts had become half-depopulated and were extremely impoverished. The whole male population, except the old and the feeble, were working away from home for the white planters to obtain money needed for the payment of the tax, or to satisfy sentences of the court. Women in Fiji do hardly any agricultural labour, and so, in the absence of the men, the land was neglected or totally abandoned. In a few years half the population of Fiji had become slaves to the white colonists.

At this stage the Fijians again appealed to the British government, which proceeded to take over the islands in 1874 and added them to the empire. The first task of the British administration was to abolish the hated poll tax, as this had been such a source of disorder. Yet under British colonial policy the new colony had to pay its own way. Whereas before the white planters arrived there had been a flourishing population running the island in its own

way at little expense, the Fijians found that the benefit of British rule cost them £70,000 a year. Since the whole income of Fiji had never exceeded. £6,000 a year, the government invented a labour tax, which was in effect obligatory labour. This also failed to produce the revenue to pay for the administration, and finally the tax was collected in produce from the natives, which was then sold by the government! (p. 123).

This tragic episode in the life of the Fijians is the clearest and best indication of what money is and of its significance. Here all is expressed: the first basis of slavery—cannon, threats, murder, the seizure of land and also the chief instrument—money, which replaces all other means. What has to be followed through the course of centuries in an historic sketch of the economic development of nations is here, when the various forms of monetary coercion have been fully developed, concentrated into a single decade. The drama begins with the American government sending ships with loaded cannon to the shores of the islands whose inhabitants it wishes to enslave. The pretext for the threat is monetary, but the drama begins with cannon directed against all the inhabitants: women, children, the aged and the innocent; an occurrence now being repeated in Africa, China and Central Asia. That was the beginning of the drama: 'Your money or your life' repeated in the history of all the conquests of all nations; 45,000 dollars and then 90,000 dollars or a massacre. But there were no 90,000 dollars available. The Americans had them. And then the second act of the drama begins: brief, bloody, terrible and concentrated slaughter has to be postponed and changed to less noticeable, but more prolonged, sufferings. And the tribe with its ruler seeks means to substitute monetary enslavement—slavery, for the massacre. It borrows money, and then the monetary forms of the enslavement of men are organised.

These forms at once begin to act like a disciplined army, and within five years the whole work is done; the people are not only deprived of the right to use the land, and of their property, but also of their liberty; they are slaves.

The third act begins: the situation is too hard and the unfortunate people hear rumours that it is possible to exchange masters and go into slavery to someone else. (Of emancipation from the slavery imposed by money there is no longer any thought.) And the tribe calls in another master, to whom it submits with a request to mitigate its condition. The English come, see that the possession of these islands will make it possible for them to feed the drones of whom they have bred too many, and the English government annexes these islands with their inhabitants, but does not take them as chattel slaves and does not even take the land and distribute it to its own supporters. Those old methods are now unnecessary. All that is necessary is that a tribute should be exacted; one large enough on the one hand to keep the slaves in slavery, and sufficient on the other to feed the multitude of drones.



The inhabitants had to pay £70,000 sterling. That is the fundamental condition on which England agreed to rescue the Fijians from their American slavery, and at the same time this was all that was necessary for the complete enslavement of the natives. But it turned out that under the conditions they were in the Fijians could not possibly pay £70,000. The demand was too great. The English modify the demand for a time, and take part of the claim in produce, in order, in due course, when money should be in circulation, to raise their exaction to its full, amount. England did not act like the former Company, whose procedure may be compared to the first arrival of savage conquerors among a savage people, when all they want is to seize what they can get and to go away again, but England acts as a far-seeing enslaver; it does not at once kill the hen that lays the golden egg, but will even feed it, knowing the hen to be a good layer. At first, she slackens the reins for her own advantage, in order later to pull them in and reduce the Fijians to the state of monetary enslavement in which the European and civilised world finds itself, and from which no emancipation is in sight.

We have seen the long-term picture of 'usury' as manifested in Greek and Roman history. Here, in recent history, we see epitomised in Fiji what happens to all communities which get into debt. The King becomes a puppet in the hands of a financial oligarchy. Its exactions finally despoil the ancient laws and customs, create social unrest, crime, disease, and depopulation.

It is the story of force and fraud created and sustained in spite of the natural goodness of men by a vicious system whose real nature has never been fully understood. Indeed, general ignorance on these matters must surely be accounted one of the strangest facts of history.

The cycle of 'usury' is always the same. It begins with human enterprise which, for the expanding needs of men, requires money for the exploitation of natural resources.

The moneylender supplies it. He is a private person in the first instance and he lends coins—gold, let us say. Suppose he lends 100 coins at ten per cent, per annum, then it is only a matter of time before he comes either to own or hold a lien over the entire gold coinage in circulation.

The second stage is when he substitutes his own written promises in place of gold. In other words, he makes bank notes and proceeds to lend them. Now he divests himself of the title of moneylender. He unites with his colleagues to form a closed corporation which is then called a bank. The simple usurer—the lender of money at

interest—becomes the actual creator of money, and thereby invests himself with the title of banker; but the difference is only in name.

The third stage is when, having formed a financial trust or combine, he acquires possession of all the community's currency. As the sole creator of money he therefore becomes the focus of sovereign power and sanctions the entire economic life of the community. This is the penultimate stage, but before reviewing the last stage, let us observe what happens to (a) the borrower, and (b) the community.

The moneylender is in a position to fix his own terms, which may be made without reference to commonsense, equity or practicality. The borrower now comes under certain legal obligations as to repayment of capital and interest. But he is not a creator of money, so he can only obtain the means with which to repay (a) by earning it or otherwise acquiring it (e.g. by sale or inheritance) out of the money already in the hands of the community, or (b) by accepting a further loan.

By (a) he is obliged to sell at any price, or may have to resort to force or fraud to obtain the necessary money. By (b) he gets deeper and deeper into the usurer's debt.

Now these transactions, even in their simplest forms, involve the whole community. Take the case of a man who borrows £100 at ten per cent, per annum. At the end of a year the lender gets £10 by way of interest. Now if a producer or purveyor of a service gets £10, there is an equivalent (more or less) creation of real wealth. But the usurer's £10 represents a claim on real wealth which (a) may not exist or (b) is in the final resort made by others and obtained for nothing, so far as the lender is concerned.

But to understand modern 'usury,' which is far from simple, we have to view the whole process of moneylending (i.e. banking) "in toto." In this process the borrower is not an indigent supplicant seeking money for purely personal ends. He is the man of enterprise acting on behalf of the community, for whose debt he is the scapegoat and whose burden he shoulders so that money may be lent into existence.

Here, in fact, lies one of the terrible dangers of modern 'usury'— the creation of an irredeemable debt. To understand it, let us suppose the case of a community whose money is currency exclusively created by the moneylenders. A man in this community,

for the essential purposes of creating real wealth, needs, say, £500 which he borrows from Moneylender A, to whom he undertakes to pay £600 in a year. When the year expires he borrows £600 from Moneylender B, with which to repay A. Then he borrows £800 from C to repay B, undertaking to pay C £1,000—and so on it goes. Now suppose that, all unknown to the borrower, the moneylenders A, B, C, etc., are all one and the same moneylender! Does this sound fantastic? It is exactly what real moneylenders did to poor people before the passing of the Moneylender's Act of 1900. Here is a quotation from the Encyclopaedia Britannica, 11th edition, page 709:—

The Moneylender's Act was passed in consequence of grave abuses which had arisen. It had been the practice of a certain class of lender to trade under a variety of names, so that under one name the same individual would lend money to a person who had borrowed from him under another name; the second loan would be spent in liquidating the first, and the borrower, always finding it easy to obtain more money, would continue borrowing until he found himself hopelessly involved. The Act struck at the root of this pernicious system by providing that every moneylender ... must register himself as such, under his own or usual trade name, and in no other name, and with the address or addresses, if more than one, at which he carried on his business as a moneylender.

Now the significant part of the Act lies in this:—

For the purpose of the Act, 'moneylender' is defined as including every person whose business is that of money lending *but does not include* .... *Loan or Building Societies, corporate bodies incorporated or empowered by special Act of Parliament to lend money, persons bona fide carrying on the business of banking or insurance . . . .*

Thus the humble moneylender, the small man to whom the needy poor resorted, is penalised for gross abuses whereby borrowers become hopelessly involved, and he is not permitted to operate under a variety of names and addresses. But is this not in effect just what the bankers do? There is in reality just one moneylender, and he is the Central Bank, but he operates under a variety of aliases and in different places. Moreover, his borrower's loans are always spent in liquidating previous loans until "the borrower, always finding it easy to obtain more money, would continue borrowing until he became hopelessly involved"! If it was desired to strike at the roots of this pernicious system, why were the great financial institutions excluded from this Act? The analogy given here is the story of all communities which practice 'usury.'

But this does not conclude the story. There is yet the fourth and last stage of the process of enslavement to the usurer, and this stage as far as one can see, is a new development, the understanding of which is of the highest importance in the present situation.

It is true that public attention on 'usury' has for long been focussed on the interest charge, and not without reason, because interest is the device-in-chief by which the community is put into pawn, by the moneylender.

Yet as the total debt enlarges, the interest rates always come down. This must be so, because what matters to the usurer is not the interest rates but the total interest payments made by the community. In so far as these are too large, the debt structure quickly becomes unmanageable.

We note in England, for example, that the rate was fixed by law at 10 per cent. in 1545, 8 per cent. in 1623, 6 per cent. in 1652, 5 per cent. in 1713. After that the "law" ceased to interfere, yet the rate of interest has continued to descend.

In the final stage of 'usury' it might disappear entirely without in the least mitigating the real troubles. Putting it in another way, when once the usurer has obtained complete control of monetary creation, the interest mechanism has achieved its purpose, and could then be given up.

When the usurer lent the original gold coinage, he created a debt claim and appropriated the interest. When, however, he began to create *and* lend money, he appropriated both interest and capital.

Thus the usurer's (i.e. banker's) wealth and power finally derive from this credit creation, wherein, as Major Douglas puts it, "power comes not from charging interest but in creating new claims and appropriating them."

Let the reader be warned. The ultimate phase of major usury is almost upon us. So long as the bankers are left in sovereign control of money creation they can view the disappearance of interest with equanimity.

We have said that ignorance as to the rôle and nature of 'usury' is one of the strangest facts in history. An equally remarkable fact is the complete ineffectiveness of the long and persistent attacks upon it, especially by the Roman Church.

These attacks failed because they were what will be described as nescientic. Their originators did not make a scientific analysis

of the seven factors already described. Most of their energies were bent on legislative restrictions of interest rates or on a complete interdict of the practice.

But the law cannot control or supervise the private agreements between two willing parties; and as for the interdiction, the legislators did not realise the significance of the second phase of ' usury' —that of money creation. If money is made only by being lent into existence, no law will ever stop lending!

Since no remedy so far proposed has ever been effective, is it not therefore high time to consider new and more heroic treatments?

## *Chapter Eight*

### THE ABRACADABRA OF FINANCE.

*(In this chapter in particular the word banker is not necessarily used in any personal sense. It is usually a verbal convenience to describe the actions, often done with no conscious 'objective,' of corporations which practice banking, although, no doubt, there was genuine individual action in the earlier days.)*

The reader will now have gone some little way towards understanding the financial mechanism; but its central mystery has not so far been properly revealed.

This revelation is not easy, to some extent because of the technical terms peculiar to economics and finance, but chiefly because of the mental confusion engendered by the orthodox outlook.

My own experiences in this respect were typical. The more I read the orthodox textbooks, the less I understood, until it dawned upon me that what I was reading was not a science so much as a description of a mythical apparatus. This description at first sight appeared to be that of a genuine causal sequence, but it turned out to be simply an unending cycle of peripheral phenomena, which, however approached, brought one round to the starting point little the wiser.

It was only after a resolute search amongst unorthodox financial writers that the facts were revealed, when it became apparent that finance in its essentials is childishly simple. In fact, the chief

mechanism is so naive that a bald exposition of it will sound ridiculous.

Before essaying this task, however, it will be suitable to warn readers that the financial mechanism is not a device peculiar to our time. Money in the form of coinage is a very old invention and ranks with the wheel as one of the great steps in social evolution. I am consequently in opposition to those theoreticians of the "left" who foolishly propose to abolish money because it has been used to anti-social ends.

In simple agrarian societies commerce was minimal, and so a small quantity of metallic money sufficed. In due course, as society became more complex, such factors as technological industrial advances, increased population, improved transport and centralized government rendered the need for more money imperative.

Now in orthodox economics metallic coinage is supposed to have a triple function—as a means of exchange, as a means of measure of value, and as a store of value. The tremendous convenience of money lies chiefly in its functions as a means of exchange of goods and services; and so convenient it is that without any significant efforts by legislation, *money in the long run becomes the exclusive title to goods and services.*

But so long as money is coinage minted in a precious metal there arises a profound difficulty. As inventiveness progresses, as free physical energy becomes available and as government evolves, this ability to create and transport goods vastly increases. Clearly then, unless the increase in goods is accompanied *pari passu* by an increase in money, the accessibility to goods becomes correspondingly limited; that is, assuming, as is true in all financially advanced communities, that goods are only available by a monetary payment.

If money, therefore, is solely made of silver or gold, as it is in less evolved communities, the problem becomes acute. It was especially so in olden times when mining was primitive and inefficient; and it is worth noting that the rise of modern science owes perhaps more to the efforts of the early miners than to any other factor, since they were obliged to understand the physics of water pumping, the use of mechanical devices, and the chemistry of combustion. The problem to-day, in spite of every advance, is equally acute because even with the immense quantity of gold now produced it would be

impossible to sustain more than a fraction of world trade on a straight gold coin basis.

Here we shall make at least one apology for the bankers. When the accessibility to goods is dependent upon a monetary equivalent, the pressure to provide money becomes irresistible. If society is to advance, at all costs the money supply must increase, and so the bankers emerge under the sheer weight of events. They institute devices to spin out the gold and silver, and hence financial credit comes into being.

In other words, they create an acceptable substitute for money upon the basis of the precious metal. Unfortunately, however, they have always resorted to the same technical device for the manufacture of this substitute, which is to create it *as a debt at interest to themselves*. Thus 'usury' arose and thus also the schism of society into those who make the credit and those who pay interest on it.

The cycle of monetary evolution from simple coinage to credit at 'usury' and the subsequent destruction of society by the inevitable load of debt has been repeated in ever widening orbits for the whole 2,500 years of European history, and in the Near East for centuries before that. This invariable resort to 'usury' is one of the most remarkable factors in human evolution and one whose tremendous significance has scarcely been perceived. It arose because of men's inability to analyse events inductively, for which reason its frequent condemnation has always been ineffective.

Now that the monetary cycle has been outlined, we shall proceed with our task of revealing the central mystery of modern finance. To do so I shall describe a quite hypothetical situation in an imaginary country called Mythland. For convenience we shall begin at that point in its monetary evolution when minted gold coinage was well established, and then trace the developments. In so doing I am not describing what would happen in actuality. I shall both omit and assume much, but I shall not portray what is not essentially true of the most complex modern financial system, however overlaid and obscured by technicalities and administrative tricks.

Now Mythland, we will suppose, has a King who exercises something of the power and responsibility of traditional kingship. It has also a money system in gold coins; but as gold can be made to



vary in quality and coins in weight, some sort of standards became necessary, and so to provide a stable and acceptable money was one of the recognised functions of royalty.

In other words, the King, as the head of the nation and as the fountain of honour and justice, was bound to create and maintain an effective money, and the sign and seal of its accomplishment was the impress of the King's head on the coinage. Thus, in short, was created Mythland's standard unit of money, the sovereign or pound. We here note that these coins did not belong to the King in person. They did not in fact belong to anyone, though individuals could be the temporary custodians. The coins had a value conferred upon them by the toil of the community at large, in whose real interests the King had acted, and they represented the nearest thing to a genuine sovereign power of the people. Such being the case, it was illegal to deface, damage or melt down the King's money, or to remove it outwith the realm without legal sanction.

We begin our survey just when the evolution of society has called for a more rapid and extensive circulation of gold coins, as well as for an increase in their supply.

In Mythland, owing largely to the poor state of communications and the lack of an effective system of government, the transport and safe-keeping of gold were matters of no little difficulty; while the supply could not be increased to any practicable extent since Mythland possessed no gold within its borders.

These difficulties were solved in an ingenious manner. The few big towns of Mythland had a number of goldsmiths who could value, weigh and assay gold, and had vaults for its safe keeping. They were also men of repute, and so the large landowners, on being paid rent, came to lodge their sovereigns with the goldsmiths for security.

By way of evidence of the lodgment of the coins, the "owner" (he is only the temporary owner, for it is the King's money) gets from the goldsmith a negotiable "deposit receipt." But suppose that the owner has deposited 100 sovereigns, it would be a great convenience for him to obtain one separate deposit receipt for each sovereign, or, alternatively, twenty deposit receipts each for five sovereigns.

The convenience of the device lay in the fact that when the owner of the sovereigns desired to discharge a payment of, say, £5,

all he had to do, granting the acceptability of the goldsmith's bond, was to hand over a deposit receipt for the necessary amount. This receipt was in fact an open promise from the goldsmith, to whoever presented it, to redeem his pledge in gold. In other words, the goldsmith had invented a primitive kind of banknote.

In due course the convenience of this invention was such that holders of the notes hardly ever wanted to claim gold for them. Secure in the reliability of the goldsmith and fortified by his legal promise, these receipts soon began to pass from hand to hand, and hence to function as money. Moreover, suppose that a note holder did claim redemption in gold, he had to go to the trouble of transporting and safeguarding it, and usually he too would lodge it with another goldsmith elsewhere. Realising that in the end it was to all the goldsmiths' advantage that they should co-operate, if not actually to amalgamate, and that the bulk of the total gold coinage of the country came to be permanently in their hands, it was only a matter of time before there was only one super-goldsmith and only one acceptable kind of banknote. This super-goldsmith represents the embryonic central banking system, and the acceptable banknotes his elementary substitute for metallic money.

Before this situation arose, however, the goldsmith made an important discovery. He realised that his notes, actually and honestly each "covered" or "backed" by the stated amount of gold, which notes he could at any time convert into gold on demand, had become virtually the chief currency of Mythland. Furthermore, as trade was now vigorously expanding, more and more money was being required, and men with sound schemes of commercial or industrial development had no choice but to approach the goldsmith for an advance of money.

These several situations, in truth, represented a major revolution in the whole business of money. What, indeed, the goldsmith, whom we shall now call the banker, had done was to supplant by stealth the King's money in favour of an intrinsically worthless money of his own private creation. Unfortunately, at this juncture either the King of Mythland failed to perceive that the centre of gravity of money had been radically altered and that his own sound money had been replaced by an inferior variety, or, if he did perceive it, the political forces arraigned against him were too great.

The banker, however, did not rest content with this intrusion into the King's affairs. Observing the vital need for more money as trade and industry increased, knowing the acceptability of his own notes, and observing that nearly all the original gold-coins lay safe and idle in his vaults, the banker thought to himself that he might safely risk the issue of more notes than were represented by his gold. This move was not likely to be observed and was fairly safe, since it was clear by long experience that only a fraction of the note owners ever claimed redemption in gold, or, as one may now call it, "cash." Of course, when such a redemption claim was made, the banker had no choice but to give out the gold sovereigns and cancel or destroy the equivalent notes. Experience showed, in fact, that at any time never more than 10% of his notes were handed in for redemption; therefore it became obvious to him that he could in safety issue notes to ten times the amount of sovereigns he possessed, and this in fact he proceeded to do.

There is no doubt that he thus benefited the community by a tenfold increase in the volume of money available to it, but in so doing the banker became dishonest and, worse, initiated anew a nefarious system which in the long run was bound to destroy the very society it was hoped to aid.

Note that the banker himself began with nothing more than the equivalent of an honest business. When his clients deposited their sovereigns, which ultimately formed the basis of the banker's activities, these coins were the King's money. The banker thus acted as a repository for other people's money entrusted to him for safe keeping, and on the strength of this he had honestly devised for mutual convenience the original note issue. (The reader may well ask what and how was he paid for these services. We shall answer this in due course.)

But when he came to issue more notes than were covered by gold the banker was plainly guilty of embezzlement (i.e. the fraudulent appropriation of what had been entrusted.) He was fraudulent because his notes held a promise under his signature to redeem them in gold on demand, whereas such a redemption was now impossible, and because the note owners were ignorant of this situation and reposed confidence in the banker's integrity. Moreover, he was guilty of high treason in that he had usurped the King's function as the creator of money.

These nevertheless, were the least of the banker's crimes. It must never be forgotten that when he made the first issue of his bogus notes, he initiated a still more doubtful course of events. He gave these notes of necessity as a loan to someone, from whom he demanded (a) realisable security, (b) interest, (c) repayment to himself at due date. The implications of this apparently simple money-lending transaction we shall investigate later.

Meantime, the banking business in Mythland began to undergo a still further development. The banker we have been describing was at any rate a dealer in gold and an issuer of notes on a one-tenth fractional basis, but this business had certain drawbacks. After all, gold is difficult to move about, even for the banker, and he was compelled to centralise his business in, perhaps, two or three of Mythland's largest towns; whereas all the people desired the convenience and security offered by the new system.

Hence the banker, who dealt exclusively in gold and note-issue, found it convenient to set up another kind of banking business which had no gold but dealt only in notes. After all, notes, too, can be lost, stolen, destroyed or forged, and so there arose the new variety of banks which took in notes for safe keeping and effected interchanges between different people in paper money.

In these new banks, if the owner had no immediate need to remove his notes from the custody of the bankers, he was given a deposit receipt for the amount. If the owner, on the other hand, desired to put in and take out notes frequently in the course of business, the bankers invented another mutual convenience. They resorted to a simple book-keeping system by which, when the owner put notes in, they simply credited him with the amount in their ledgers, and when he wished to withdraw notes, debited the necessary amount to him.

When it was desired to pass a sum of money (in notes) from one owner (now called a customer of the bank) to another whose name was in the same ledger (now described as a depositor in account with the same bank!) it was clearly a matter of convenience to leave the notes in the vaults of the bank and simply to add or subtract the appropriate amounts in the bank's ledgers. In order to facilitate this process the bankers issued printed forms by which their customers could order them to credit to the person named in the form

whatever sum was desired, and thus was invented the cheque-book system.

The new bankers were not long at the business when they made the same discovery as their gold-hoarding partners, viz., that the cheque-book system was so convenient that at any one time not more than 10 per cent. of their customers demanded redemption of their receipts or payment of their cheques in actual notes. They were content to allow the banks to make the necessary ledger entries, the more so since all the banks in Mythland had now come to a convenient working arrangement whereby "money" could be "moved" anywhere within the system by the method of ledger entry, and an odd transportation of notes to balance up the transactions.

These note-holding banks, also under pressure of a growing need for still more money, then resorted to the same trickery as their senior partners; they began to increase their ledger entry (or, as we may now call it, bank deposit) money to ten times the amount of notes actually held by them. The situation in Mythland was roughly this. For every sovereign of the King's money held by the original bankers, ten sovereigns' worth of notes were issued, and for every note, ten sovereigns' worth of bank deposit money was issued. But many of these notes never came into the possession of the banks, as they were passed from hand to hand in circulation. Say, 50 per cent, circulated, while 50 per cent, remained within the banking system. This meant that for every £1 of Mythland's gold coinage, the private banking system had now contrived to create £50 of its own money.

That is to say, the banks were able to invent deposit money in their ledgers up to ten times the amount of one-half of the total bank notes originally issued. To accomplish this, the chief device was to grant "loans" to customers, again with security and at interest. Clearly the bankers did not lend notes, but entered up in their ledgers the sum "loaned" to the credit of the customer, *which sum at the same time appeared as an increase in the bank's "deposits"!*

Here, then, in brief, is a description of the modern system of banking, or, as we have called it, the financial mechanism. The original bank which fraudulently issued notes it could never hope to redeem is what we recognise as the central bank of Mythland. The lesser banks, which deal in the central bank's notes (called

currency), and are tied to the central bank by legal bonds, are the commercial banks. The "cash reserve" of the central bank, which it now impudently claims as its own, is the King's coinage, upon which it has based a fictitious paper money. The "cash reserves" which form the supposed backing to the deposit money of the commercial banks are fictitious notes. It is all a pretty piece of financial rascality which the bankers took care to hide from the public.

Let us now revert to the original gold bankers and perceive some of the implications of their device to increase the volume of money. The gold coins originally received constituted a genuine deposit of which they were not the owners. But to whom belonged the new money, as represented by the bankers' issue of notes over and above their gold? In equity, these notes, based as they were on the real wealth of Mythland, belonged to the King as custodian and guarantor for the community. They were in effect part of the "common wealth," since their value derived solely from the ability of the people to create goods and services, and they derived not at all from the bankers.

But, as we have seen, the gold banker perpetrated another fraud. He created this new money as a loan to his clients from *himself*, and thus coolly misappropriated it to his own use. He thereby introduced the nefarious custom of 'usury,' for he exacted interest on his newly-invented money. Here, then, is the means by which he paid himself for the various services rendered. But what a recompense indeed! It is for this reason that the banker's profits could be pretty well anything he cared to make them.

As the business of banking extended, as extend it must, the bankers foisted yet another trick on the King. The nature of their business, as we saw, obliged them to unite into one huge monopoly or combine—the financial system—whose aggregate wealth, both in money and assets (e.g. securities) was enormous. It was in fact so great that the King of Mythland (until, of course, he timidly acquiesced in their rascality) became a virtual pauper and could not buy gold in the face of their competition.

Moreover, since any note holders who had the temerity to demand redemption in sovereigns were a source of great anxiety to the bank and a real danger to the community under the new system (because every sovereign removed from the central bank meant a loss to the

people of ten notes and fifty sovereigns' worth of deposit money), the bankers soon arranged matters so that people could not demand gold at all. And gold sovereigns were so valuable to the bankers that they could in fact offer for them more in their new money than the face value of the coin. In this way the bankers (a) procured the entire issue of Mythland's gold coins for themselves; (b) prevented the people from using their own money; (c) prevented the King from buying any more gold; (d) replaced the nation's money by an inferior substitute; (e) created an irredeemable debt.

In order to understand the latter situation, let us think of the first man who received bogus notes by way of a loan. The banker, say, holds ten thousand sovereigns (£10,000), against which he has issued £10,000 worth of notes. Then he proceeds to "lend" to Mr. A. another £1,000 worth of notes by simply printing and signing them and giving them to the borrower. Now the banker has £10,000 in sovereigns in his vault but £ 11,000 worth of notes in the community.

Mr. A. does not know that the notes no longer represent gold and that the promise on them is a lie. He imagines that he is borrowing "sound money" from the banker, for which obligation he is forced to supply a reasonable security—it may be his wife's jewels, the title deeds to his house, or what not.

Mr. A. then proceeds to his business, during which he pays £1,000 to Mr. B. for the purchase of a vessel. Here comes a catch. Mr. B. might be a suspicious fellow who wanted to change the notes into gold. This would be possible for the banker, but it would be very inconvenient, since it would represent to him not the loss of a thousand sovereigns only, but the loss of all the extra money potentially creatable out of them—a loss, in fact, of ten times the amount, when once the system had been established!

For this reason, then, the banker took various means to ensure that, promises notwithstanding, no one could be in a position to demand gold at all; though this manoeuvre took some time to organise. If, on the other hand, Mr. B. accepts the £1,000 in notes, then that extra money becomes thus available to the community for the purpose of trade.

Mark now what happens to Mr. A., the borrower. He has come under an obligation on the strength of a security to repay the £1,000,

which he can only do in one of three ways. He can either repay in gold, or in notes, or by obtaining a further loan from the banker.

If he repays in gold, he accelerates the whole process of enslavement to the financial system because (a) he enables the banker finally to create for himself ten times its value in new money and (b) he removes the King's coinage from circulation into the bank, from which it will never emerge; and thus he helps to make the banker's money supreme, since there is no other.

Suppose Mr. A. repays the £1,000 in notes. These he will have to obtain; in the course of trade from other parties, in which case an unconscionable pressure is applied to him, because the price of failure to secure these notes is bankruptcy. Mr. A. is thus compelled to give up his leisure, to beat down his employees' wages, to work them harder, to cut his prices, and in the end descend to every device and subtlety to obtain the necessary money out of the community.

Here, in short, is the financial basis of what is euphemistically called competition; as if men would be so idiotic as to abandon leisure, home life, culture, and the really good things to "make money" unless constrained to do so by a terrible power. If and when Mr. A. is successful in repaying the banker the £1,000, then that amount of money meantime disappears out of circulation to leave the community so much poorer financially.

Suppose that Mr. A. cannot pay in gold or notes, then two alternatives face him. If he is credit-worthy (i.e. has more realisable securities, including the banker's receipt for the original loan!), the banker will make him another loan with which to redeem the first! In the inverted world of finance, this device of renewing the loan is one frequently resorted to by the very wealthy, and, *since the money loaned costs the banker nothing*, he might afford to do without repayment, especially since by so doing he gets a further lien on more securities.

If, however, Mr. A. is no longer credit-worthy, or if certain other exigencies arise (e.g. a likely rise in the value of Mr. A.'s securities), the banker will bankrupt him and realise the securities or retain them for himself. So far as the banker is concerned, he has, by financial manipulation and at no cost to himself, thereby acquired real wealth created by the toil of the community; and since in the



end bank loans cannot ever be repaid, the banker is thus the actual or potential owner of everything in existence.

Now we note a very important point. In all these transactions, what has the King of Mythland been doing? The answer is that he has been conveniently faded out of the picture. If he resists the bankers, they will cut off his head (by proxy, of course) on some pretext or another, or merely depose him; both of which methods have been utilised in recent history. If the King acquiesces, he then becomes a "constitutional monarch" and receives a suitable solatium.

Thus under this felonious bank-loan and note-issue system the King is dethroned and the people deprived of their chief sovereignty. Moreover, this system is the instigator of nearly all social strife and ends by dividing the people into so many irreconcilable factions that there is no possibility of their uniting to resist their financial overlords.

Bad as are these evils, there is nevertheless a much mightier one which, for the sake of simplicity, we have so far omitted to consider. When the bankers lend their own created notes, they demand interest payments from the very start. Let us now see how this extra imposition affects the community. Let us assume that the total sovereigns in Mythland amount to 1,000, all in the custody and *ownership* of the bankers. There will therefore be 10,000 pound notes in the country. We can be certain that this £10,000 in notes represents money actively used and not being hoarded. (Even so, the situation would only be aggravated by hoarding).

The position, then comes to this. The bankers are the creators and owners of all the money in the community to the extent of £10,000 standing as a loan to the public, and to be repaid with interest at 10 % per annum. At the end of a year the public would have to pay £1,000 extra by way of interest to the bankers.

(For simplicity, I am describing a system which functions in yearly periods. In practice, of course, there is a moving flux of events with money coming in and out every day.) Now assume that it were possible for the public to repay the bankers their entire loans, at the end of the yearly period, the result of such a repayment would be disastrous to the community since it would be deprived of its total available money. Such a repayment would in fact be financially impossible (vide the Canadian Government report on

page 71), and would be equally disastrous to the bankers since it would drive them quite out of business. They would then become the only genuine bankrupts ever known.

But the public has not only to try to repay the loans; it must, in addition, repay £1,000 interest, so where has this sum to come from? Obviously it has no existence, and cannot ever be paid unless the bankers are prepared to create it also. In practice there is only an appearance of paying (i.e. as viewed from the standpoint of the individual borrowers). One day a few borrowers repay, and a few get further loans, and so the system proceeds. The final result is obvious. The bankers are only able to exist so long as they are content to admit of a mere running solvency in respect of the public.

In the end the more fortunate of the borrowers would manage to repay both principal and interest, but only at the expense of the less fortunate, who would either be made bankrupt and their securities seized, or they would only carry on so long as the bankers were prepared to accept interest payments alone, renewing the loans as they matured, and so leaving an ever growing burden of debt owing them from the public.

Here we have been describing what happens under 'usury' in the primitive system of banking when money was notes issued on the part gold basis. When the commercial banks, dealing solely in notes and bank deposits, had developed, even more absurd situations arose, and the degree of fraudulence increased, because these bankers, too, created their own money and likewise charged interest which by no financial possibility could be paid without still further increasing the community's debt to the bank.

Here, then, in brief, is the whole story of orthodox banking. There are innumerable variations in the processes used, but in the end it all comes down to a supply of gold, on which in turn is based a paper currency only partly covered by gold, which again suffices to carry a still greater volume of bank deposits. Thus the system is like an inverted top-heavy pyramid of credit, perilously perched on a small apex of gold.

It is only to be understood by ever holding in mind the technique of the primitive gold and note-issue banker and the final effects of this technique on the social structure. We can see clearly how the banker does not create positive money, but *debt*, which is his

true 'objective.' It is not so easy to see how all bank deposit money is likewise debt because of the multiplicity of financial devices and fictions as we move farther away from the source. Nevertheless, bank deposit money is just as surely debt and just as surely irredeemable as the hypothetical debt of the Mythland bankers.

So far as the whole financial system is concerned (i.e. both within and without the banks), the rigid application of 'usury' would quickly end in self-destruction. To avoid this disaster is impossible, but it can be temporarily staved off in various ways.

The broad principle is to diminish or destroy as many debt claims as possible. This is accomplished chiefly by the banker selling his securities, by calling in loans, bankrupting some debtors and forcing others to sell securities, and so on; which is deflation, when there is a relative shrinkage of "deposits." Another method, although an indirect one, is to abandon frankly any prospect of capital repayment, which after all matters little to the bankers personally, accepting interest payments only and leaving the borrowing organisations as running solvencies. This is the way adopted towards national and local government finances and to many big businesses; but these devices do not cure the evil. They only postpone and enlarge the final crash.

Let us now turn to observe the interactions of the money system on the political situation. If bankers were public cheats and embezzlers then they could never hope to get away with their crimes indefinitely. But they have one great advantage over lesser criminals, in that their depredations are slow, stealthy and difficult to trace.

Whenever social pressure creates an absolute need for more money and the bankers devise their credit methods, a conflict with the King and his government is inevitable. The usual course is to allow important State officials and members of the government to have a share in the profits, in which way some at least are subverted.

In due course the bankers or their nominees get into the legislature and prepare for an assault on the King, who, as representing the people, is their final enemy. They move cautiously at first and never make a frontal attack. They outflank him by various financial stratagems of which the simplest and best is to depreciate his money

so as to make it unacceptable to the people. When that happens the leaders of the legislature are able to point out how bad or how incompetent the King really is.

The bankers having thus deprived him of the power to make his own money, then proceed to deprive him of the power to tax people, to appoint ministers, and to award public honours, thus removing his real sovereignty. The legislature therefore takes over the functions of kingship. Its chairman, nominated or approved by the bankers, is none other than the titular head of the Treasury and its leading members are assistants in the Treasury, all being in close association with the moneylenders.

This situation is not without its risks, however, and so the bankers prepare to meet them. By the technique of money-creation they have built up a huge debt owing them from private persons. But these are unreliable debtors and may at any time repudiate the loans. The moneylenders' aim is therefore borrowers who cannot evade their financial obligations because the sanctions against them have been made too strong; so whenever money is needed for communal purposes, and especially to wage war (which in any event is generally the result of financial manipulation), the bankers advance their money to the "government," to the city, or borough, as the case may be.

In this way they create national and local government debt, and by so doing ensure the payment of interest by the method of taxation, backed by the Administration and the police.

So they render the government impotent against them since it is eternally in their debt. Two other dangers, however, still face them—that of the ordinary members of the legislature rebelling against their overlordship, and the awful possibility of all the note-holders demanding at one time the redemption of their notes in gold.

The former difficulty was solved by various devices. The chief of these was the institution of a financially and centrally directed political "party" system. After all, a general election costs a lot of money, and it was to the bankers' advantage not only to supply or control the funds for running the elections, but to finance at least two opposing parties, so as to maintain a semblance of political activity. The chief method was the central control of the *nomination* of candidates, as opposed to local control; and it is

noteworthy that in no country with a strong central banking system have the people any local initiative in these nominations.

These devices were not, of course, directly controlled by the bankers. The Financial Filter was in most cases sufficient; and if in addition an Ideological Filter existed, so much the better, since the presence of several political ideological groups manoeuvres attention away from the financial system and hopelessly divides people one against the other; for which reason no central bankers have ever opposed socialism in any form.

Yet another device was to seek certain financial powers from the legislature. This gave the appearance of submission to its sovereignty; whereas usually none of its members had ever enough technical knowledge to realise the implications of the powers sought. In this way the central bankers quickly put themselves above the law and acquired control over the commercial banks as well. Their final manoeuvre, however, is to force the legislature to take over the banking system, i.e. "nationalisation."

No king, it may be added, has ever been found to resist effectively these stratagems. Some have resisted and have been removed, when either a suitably docile successor was appointed or the country became a republic. One variation, used in Roman times, was to create a deified super-emperor to whom absolute homage and service were due; and this device was recently repeated with great success in Japan.

The latter difficulty of the people simultaneously demanding redemption of their "money" in gold has always been a bogey to the moneylenders. They first proceed hopefully, like all embezzlers, but when their defalcations are about to be discovered they never fail to solicit a moratorium or other help from the legislature, and the legislature never fails to grant it. Finally, when control is centralised enough there is no danger from this quarter because the currency is made inconvertible and the Treasury and the bankers are united as to policy, which is the prelude to "nationalisation."

Contemporaneously with their rise to political power is the moneylenders' rise to industrial power. The nature of the financial system is such that the most capable and astute of the industrialists and business men come to serve it, being suitably rewarded by

financial and other means. The moneylenders and industrial leaders finally aspire to social prestige and hence resort to the creation of a spurious nobility. As the system of land wealth became displaced by money wealth, the landed nobility decayed. The bankers and wealthy industrialists then began to support financially those useful to them and to intermarry into the old families, partly by which miscegenation they were enabled to give themselves titles, derived solely from money wealth and industrial power. Thus Royalty, the fountain of honour, became sullied and the nobility depreciated, whereupon the Bankers' State came into being.

Here let me anticipate to explain that the reader must not push this analogy too far. The story here unfolded, which refers to a banker or bankers and to conscious action on their part toward definite ends is not true in fact. The financial cycle from metallic money to the destruction of society by 'usury' is one which takes several hundred years. In Roman history, the cycle took probably 700 years to complete. In British history, it looks like being over in about 400 years. As the reader will have seen, I am of the opinion that, once the mechanism of 'usury' is resorted to, the future developments of both banking and society are inevitably determined.

In this present description I have for simplicity's sake personified the bankers as individuals working consciously to certain ends. That conscious direction can and may even now exist is certain, but it cannot be other than trifling. The fact that the cycle of financial development is so long means that successive generations of bankers who neither understood the money mechanism nor constructed it came to operate it, and the larger and more complex the machinery the less they grasp the significance of their actions.

As the reader will learn in due course, I believe that a usurious financial system operates automatically to filter through and place in power in every field of corporate activity only those who do not resist it. In a study of this sort we need not therefore trouble ourselves unduly as to what and how much personal or conscious direction exists. *What matters to us is that everything has happened just as if conscious direction existed and the epitome here given of the banking and politics of our hypothetical country is exemplified in both ancient and modern history in every particular.*

Now let us leave our hypothetical history and review the actualities of the real world, where for convenience we will consider the story as it affects England.

The real history of that country is essentially financial, and it will surprise readers to know that from the time of William the Conqueror onwards there existed a battle with the growing might of money. The early struggles hinged round the use of coinage and the vagaries of foreign trade. The fight became more active in Queen Elizabeth's reign and flared to a height in the reign of Charles II, by which time the modern system came into being.

The Bank of England began in 1694, but its development was stormy. There was from time to time considerable opposition to it both from men who saw the dangers and from rival banks which had adopted the same financial devices. By 1819, however, the hegemony of the Bank of England was secure and the commercial banks were finally brought to heel in 1844. The financial rule thus centred in London was based on gold, but in spite of this the English banking system suffered several major and many minor crises during the 19th Century. Moreover, the attempt at world financial rule failed largely because other central banks could not or would not play the game according to the London rules, and the system began to disrupt as first one country and then another defaulted on international loans, manipulated its currency and even departed entirely from gold.

If the reader has grasped the hypothetical exposition already given, that is all he need know for our present purpose. Nothing would be served by trying to explain the English system in more detail. Indeed, there is no such thing as a system perceptible in it. Banking in fact is such that it cannot do other than cause the most disastrous social crises, including war, in consequence of which the bankers resort to such a variety of devices and evasions that it becomes quite impossible to describe them in any general sense.

For example, the English ratio of gold to notes, of gold to deposits, of currency to deposits, of central bank reserves to commercial bank deposits, has varied considerably according to circumstances. Thus the Bank of England reserves against its liabilities, supposed to be maintained at 50-55%, fell as low as 10% in 1919. To keep up the pretence of a gold reserve also, the Bank of England has had to resort to government help, as in 1914, when Treasury notes were

issued to keep up the "soundness" of the commercial bank deposits. The irony of the situation is this. The bankers, having fraudulently misused other people's money, are just permanently incapable of meeting their liabilities, and so, when danger threatens, they simply tell the government to declare a moratorium until they have invented some face-saving jiggery-pokery.

One curious evasive device was in existence during most of the inter-war period. The Bank of England was then "obliged" to purchase gold at the fixed price of 77/9 per oz. standard when the market price of gold was about 140/- per oz. fine. The bank continued to purchase at the market price, but based its notes on the legal price, the difference between the value of the notes issued and the market value of the gold being advanced by the Exchange Equalisation Fund, which in turn obtained the necessary money by the issue of Treasury bills! The effect of this manoeuvre (to quote "New Money for New Men"—by S. S. Metz, Macmillan, 1938, p. 18) was to deceive the public as to the gold cover for the note issue. In February, 1938, the official ratio of gold to notes was 62%, whereas at the market price the percentage was 102.

We need not depress the reader by the presentation of more facts. If anyone desires to grasp the essentials of finance he need only know what has been here described. But to imagine that the banking system is a neutral device simply taking in and paying out other people's money, and as it were a mere sub-station in the flow of economic life, is to erect a fatal mental barrier to its comprehension.

To think in this way, believing that deposits come into existence by the actions of depositors, and so on, is correct so long as we consider only the commercial bank end. But if we are to grasp the system as a whole we must realise that banks, far from being neutral sub-stations in our economic life, are its very power-house. We must come to think of all banking activities as they affect the relationship between the public "in toto" and the banking system "in propria persona."

From this point of view it does not matter by what or by how many devices the moneylenders create their bank deposit money, which is what concerns us here. Whether they create it entirely on a gold basis, or partly on gold, partly on currency, convertible or inconvertible, or whether created on a paper money issue entirely,



the same train of abuses would in the end arise, so long as the bank deposits were created as a debt at interest and were used to create further cycles of debt out of themselves.

What is wanted for a sane society is a banking system which began by a consideration of the goods and services available, after which it would create a flow of money to liquidate these goods.

Under the present pernicious system the bankers are not concerned with equating money and goods. If money gets relatively in excess of goods we have the Scylla of inflation; and if goods get relatively in excess of money, we have the Charybdis of deflation. The bankers can never steer a middle course between these disasters because of the inherent flaw of 'usury.'

What happens is this, or something akin to it. Let us begin on the upward slope of a boom. It makes no difference whether this is initiated by factors within the economic system or by external factors such as the acquisition of gold by the central bank, or by the exigencies of war. The bankers are, for one reason or another, on an expansive phase, and so they create what is pleasantly called "more money," which is to say they create more debt in respect to the public, and thus "deposits" increase.

These deposits in the course of business go on their weekly cycles out of and, back into the bank's ledgers, and in each cycle a proportion of the "money" is saved, which usually means invested in one way or another.

These, investments in turn generate further debt claims which have to be discharged in bank deposit money. Thus the bank deposits have to subserve a dual function. Firstly, they supply the needs of the commercial and industrial mechanisms; secondly, they are used to discharge all debt claims, including the bank's.

Now whether the central bank's reserves have increased or otherwise, the commercial bank deposits cannot increase indefinitely; and they cannot increase, not because of a malign plan on the part of anyone, but simply because the system automatically limits them.

Here we need not discuss the many factors concerned, as it would involve us too deeply in the peripheral field of finance. Even if the central bank had unlimited metallic reserves, it would make no real difference, and in any event the so-called reserves are largely conveniences of accountancy.

What automatically limits the increase in bank deposits is the total debt. Whether a war is being waged or there is a genuine industrial expansion, either can only proceed at the expense of an all-round increase of debt of every kind.

Such an increase is a vicious circle inevitably accompanied by a steady increase in the price level, fundamentally because in a debt economy there is a growing discrepancy between total available purchasing power and total available consumer goods such that there is an increase in money relative to goods.

This is clearly seen in the case of the present war when the estimated net national income rose from £4,604,000,000 in 1938 to £8,703,000,000 in 1943. This vast increase in purchasing power was simply the result of creating new money and putting every one to work. But most of the goods purchased were not for consumption, being intended as a free gift to the enemy. Clearly, then, the government could not allow this enormous new purchasing power to be let loose, so they did what they could to keep the goods-money ratio steady. Yet even with excessive taxation, coupon rationing devices, and the mulcting of nearly £1,000 million yearly from the people for bad tobacco and worse liquor, the rise in prices could not be stopped. What happens so clearly in war happens at any time when there is an all-round debt increase.

The rise in "deposits," even with higher prices, for a time whips up demand, raises profits and thus stimulates more investment; but soon wages cease to keep pace with prices and the business community sees that further borrowing and capital investment won't pay.

The high prices and diminished bank borrowing decrease both sales and productive output, at which point a mysterious financial stringency supervenes, since the bank deposits can no longer sustain the double burden. The community then finds it difficult to meet its debt claims and in the end the less fortunate businesses cannot meet these claims at all.

If they are indebted to the bank or other financial institution they will be forced to realise some of their securities, which will be flung on the market, and they may go bankrupt. If they are indebted to the public, the businesses concerned will be obliged to curtail dividends or even to pay none. Both situations reduce the security value of their shares and this further aggravates the position.

Now the bankers take a hand in the game. They realise that the debt structure has got top heavy. Their unhappy system can only finance industrial expansion by getting themselves and everyone else into debt, but now some of the indebtedness must be wiped out.

They reduce it by their own manipulations. They sell their own securities and call in loans, thus inaugurating a mysterious shrinkage of "deposits." This, in turn, makes it still less possible for debt claims to be met, and thus is engendered the tragedy of deflation, with its liquidations, contractions of capital, selling below cost, "dumping," unemployment and frozen capital.

The same disaster can happen in a negative way during a phase of genuine expansion of industry, through invention, manufacturing progress and exploitation, if the banks merely abstain from creating new loans when the old ones are repaid. The result is the same—a relative deflation or slump.

Here, in parenthesis, let me explain that, in deference to custom, I have used the terms "inflation" and "deflation," but think it is high time they were discarded.

"Inflation" (etymologically "to blow into") means "to swell with air or gas—to puff up." (Chamber's Dictionary.) Of course we subconsciously recognise the financial danger of blowing money up with emptiness, as it were, like balloons, which finally burst. In this conception we find the chief use of the word, which is not so much a scientific term as a fear producer!

It is faulty in respect of the quite diverse meanings attached to it. Sometimes it is synonymous with monetary expansion, or even a mere increase in note issue, with no real inflationary results at all. It is used in a better but still inaccurate way to mean, as it was recently put, too much money chasing too few goods.\*

Inflation is not caused by mere creation of money. It is a state of affairs which supervenes when the normal ratio (i.e. the ratio at any given time, as a standard of reference) in any credit area (i.e. an area controlled by one central bank) between total goods (i.e. total prices) and total available money (purchasing power) is altered so that there is a relative *and growing* increase of money as compared to goods. In this case, as we say, "prices go up," whereas it would be more accurate to say "money goes up," so that, in effect, the same quantity of money purchases, not less goods, but *less and less*.

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\* See Appendix F.

The crux of inflation seems to me to be this, that the growing discrepancy between goods and money is not a steadily growing one but an accelerating one.

From the consumer's end it is simply a rate of rise in the wages level accompanied by a greater and growing rise in the price level, and to get some notion of the present situation the reader should consider the following data.

From figures published in the Statist (19-1-46) the national debt per head of the population in Great Britain was as follows:

1914 . . . . .	£15.42	per head.
1920 . . . . .	£167.81	“ “
1939 . . . . .	£180.15	“ “
1945 . . . . .	£486.05	“ “

Now observe the relationship between taxation and income. In 1938 with a total national income of £5,063,000,000 the national and municipal taxation alone absorbed £1,133,000,000 or 22 per cent. of the total. In 1944 with a national income of £9,018,000,000 the corresponding taxation was £3,222,000,000 or 36 per cent. of the total.

Consider next the effects of debt and taxation on purchasing power and prices. From the "Income Tax Payer" is reproduced a remarkable comparison of available incomes in 1913 and 1945 respectively.

	1913			1945		
Salary . . . . .	£300	0	0	£1000	0	0
Income tax . . . . .	5	5	0	351	2	6
Net income . . . . .	294	15	0	648	17	6
£ valued at . . . . .	1	0	0	0	8	4
Equivalent income . . .	£294	15	0	£270	7	3

Note, also, the prices, say, in 1900, and compare them with the present levels. It is true to say that what £1 purchased then will cost £3 to-day. I have compared the cost of houses (see appendix A) over the same period and the figures show that a six room and kitchen stone-built house cost £800 in 1900 and had a "net economic rent" of £54. The same house in 1946 would cost £3,000 and the "net economic rent" would be £253!

There is yet another angle from which the subject can be viewed. On the financial expansive phase, as the debt claims enlarge, so do debt service charges. But these can only be recovered through

prices, hence as the boom proceeds an ever greater proportion of prices is represented by debt service charges. This forces up the price level, so the time finally arrives when less goods are purchased, because of the relative shortage of purchasing power, and again we go off on the downgrade, share values falling, wages decreasing, fewer goods made, fewer people employed, and so on.

When the slump has been on for some time, the deflation, as has been said, causes a fall in the price level, wipes out a great proportion of industrial debt, wipes out much bank debt (i.e. deposits), reduces the value of gilt-edged securities, and finally increases the bank's ratio of so-called reserves to deposits. When the "improvement" in the bank's reserve position has been reached, we find labour "plentiful" and "cheap," and the money market "easy," and so the stage is set for another bout of expansion.

But it should be noted that deflation never brings the price level quite back to its original position. Bankers are always deflationists because this manoeuvre partially and temporarily eases the situation. But it can never solve the real problem because deflation only destroys industrial debt and bank deposits and never really diminishes national or local government debt. The latter debts, in the nature of the case, must increase, and so the rise in prices in the long run continues, even if at a slower pace.

This is the real mechanism of the trade cycle, which bankers do not appear to understand, which economists certainly do not understand, and which no one can control because there is an inherent and irremediable defect in a vicious system. Bankers and economists cannot think other than in terms of 'usury'; but so long as 'usury' exists, the trade cycle exists, and the longer and larger the extent of 'usury' the shorter in terms of time and the larger in terms of amplitude is the cycle, and with it the concomitant disasters.

We have said that deflation, which is the banker's normal procedure whenever the debt gets top-heavy, only diminishes industrial debt and bank deposits. It not only does not reduce national and local government debt but makes it relatively larger in terms of real wealth, by demanding interest and capital repayments in a deflated money. But national and local government debt also gets top-heavy, which in the end produces an uncontrollable inflation. Thus the bankers manage to destroy all debt, after which they start the same old system over again.

As for the economists, their efforts to explain the trade cycle are on a par with most of their other speculations and "theories." The easiest theory is one which actually denies the existence of such a cycle, which, on this view, is a spurious phenomenon due to not seeing the system in its grand perspective. One theory actually traced the cycle to sun-spots, and another, which we shall quote, regarded it as the beating of a transcendent pulse, no doubt the very heart beats of Mammon himself! A somewhat less mystical view holds that the cause of the cycle is "psychological". . . i.e. when trade is "good" people are "optimistic," and so prices rise because they buy more, and vice versa.

Less recondite views believe that the cause is "over-production" (whatever that means, in a starved world); or, alternatively, lies in "under-consumption," while innumerable pundits see in this or that detail of the monetary mechanism the true cause. But not one ever perceives the rôle of 'usury.'

For those of us who hope to play a part in the creation of a sane society it is utterly vital and terribly urgent to concentrate on the simple essentials of the financial system and to omit any consideration of the economists' verbiage and the bankers' acrobatics.

The entire disorders of society are bound up with the obvious fact that men are being kept short of the goods and services they most urgently need, while in the midst of a world of actual or potential plenty.

We tolerate a world wherein all want while millions of men are "unemployed" and not a single political theory has dealt with the real cause of this tragedy. It is not that men are short of skill, labour, raw materials, physical energy or the ability to distribute their products. They are simply and solely short of money because a usurious banking system is permanently incapable of creating a sufficient flow of purchasing power to liquidate the abundance of goods men need and can readily create.\*

To quote Jeffrey Mark (The Modern Idolatry):—

Production costs are always greater than what is spent in consumption. (p. 169).

But whether the community does not have, or does not use, its purchasing power to buy what it produces, the effect is the same. (p. 170).

which is to make artificially created surpluses of goods.

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\* See Appendix F.

He goes on to point out that the honour of this vital discovery goes to Major C. H. Douglas, who "was the first to expose a fundamental and invariable error in the price-system, convincingly and definitely" (p. 169).

The financial gap, then, creates artificial surpluses of goods because the community in any given credit area has not the money to purchase them. To keep the debt system from collapse, it then becomes necessary to export this surplus of goods to some other credit area, which is the basic factor in the present crazy foreign trade system. Hitler expressed this dramatically in one sentence "Germany must export or die." What he ought to have said was that England, America, Russia and every other country which takes to 'usury' must export or die; and now the time has come for them to die.

But how are other credit areas to be induced or obliged to accept any country's surplus? For this they, too, need "money," and this is where international lending comes in.

The "creditor" country lends to another, and at least the interest charges must be met. They can only be paid in gold or in goods. Now the whole of the world's gold monetary reserves are not only very unequally distributed, but they were largely immobilised to serve as a basis for internal currencies; so either the remaining portion is entirely inadequate to serve as a basis for the currency needed for the enormous volume of international trade, or the gold basis of the internal currencies has to be reduced, with disastrous consequences.

In the long run, then, "debtor" countries must pay mainly in goods, but this is only possible to them if they export more than they import and thus have a "favourable balance of trade." But "creditor" countries, by reason of having the largest internal debts, have by far the largest surplus of unpurchasable goods to force on other countries; so if they have to accept payment from their debtors in more goods, these unpurchasable surpluses (or their unemployed) become still greater!

The mysteries of international trade and finance are really quite simple, once the key has been perceived. Banking begins with individual men called A, B, C, D, etc., who become debtors to the commercial banks, debtors whose money is largely ledger entries, and whose relationships to the banks we have already described.

The next stage is for commercial banks called A, B, C, D, etc., to stand in the same relation to a central bank within their own country. The final step is for each "country" (i.e. each central bank), called A, B, C, D, etc., to stand, as if they were individuals, in the same relation to the Bank of International Settlements, or some other such institution.

All three varieties of banks have "customers" (whether men, commercial banks or "nations") who may be "creditors" or "debtors" and who carry on business with their respective banks under the recognised rules. In all three varieties, the effort is made to tie the money to gold, in one way or another. The banker's ideal is to tie the money of the international super-bank directly to gold, while the money of the central bank is only partially related to gold and that of the commercial banks very indirectly related to it; but gold, in one shape or another, is the theoretical basis.

It is not necessary, however, to harrow the reader with further descriptions of the system. It would be possible to write an entire book on the relationship between reality and the bankers' abracadabra, but here we need only concern ourselves with the key to the mystery, which is that banks of all varieties can only exist so long as their system permits of a greater and greater expansion of *debt*, which is their true 'Objective,' but that the bubble of debt cannot indefinitely expand, for which reason recurring cycles of economic collapse are inevitable.



## *Chapter Nine*

### THE MYTH OF MONEY.

Mental habits die hard, and such is the orientation to financial events that certain questions and doubts are still bound to arise.

There is sure to be the conservative critic who thinks that the monetary system cannot be as bad as is made out, in proof of which he will adduce the striking advances in the exploitation of natural wealth and the universal application of scientific knowledge.

To such a critic one can only reply that these benefits have been painfully attained, not by reason of the financial system, but in spite of it.

By way of proof we have only to observe the prodigious accomplishments of the recent war, which were made possible because the bankers were obliged to monetise everything that could be manufactured, the sole limit being the raw material and labour available. Indeed, to those who realise the potentialities of a rational money system it is clear that the human achievements of the past represent but a fraction of those possible. And in any event, can anyone justify a financial system which permits millions of people to be unemployed, and at the same time undernourished, in the world's wealthiest nations?

A more serious doubt, to which we shall now address ourselves, is this. If the financial system is as erroneous as here portrayed, why has it not been exposed long ago and the machinery scrapped? We can now say briefly that, the system has been opposed long and persistently, though the assault has invariably failed, and that it has now been thoroughly exposed.

These statements will no doubt surprise the general reader, since he will probably be unaware of any such exposure or attack; but the explanation is simple. It is to be found in the existence of what I have designated the Financial Filter, to which detailed allusion will be duly made. This filter prevents a widespread and persistent publicity as to the truth about the money system. Therefore, though the facts have been exposed, they are accessible only to those who seek them out. Moreover, much opposition has also been made to the system; but again this is not readily perceived, since reference to it is carefully omitted from the ordinary history books and the public press.

We shall deal firstly with the opposition, which is of two varieties, the conscious or direct and the unconscious and generally misdirected.

The unconscious or indirect opposition makes up in fact almost the entire history of the European continent, a brief study of which aspect will occupy some of the succeeding chapters of this book. A review of the facts will show that nearly all war and civil strife, from the internecine struggles of the Greek city states, through the rise and fall of Athens and of Rome, to the wars of Napoleon, were simply misdirected efforts to escape the bondage of the usurers. And what was the 1914 World War, the Russian revolution, the rise of the totalitarian state, but the same opposition to the pressure of centralised debt?

How many readers know that the American War of Independence was due to the oppressive legislation necessary to sustain the debt structure of the Bank of England? That institution saw, in the rise of American industry and sea commerce, and, above all, in the creation of American credit, a situation it could never tolerate. The Americans were successful in the field in spite of the Hessian mercenaries and the instigated Indian uprisings; but they were unsuccessful in the economic field until the World War of 1914 gave them their opportunity, even though only to jump from the frying pan into the fire. How many Englishmen know that the Napoleonic wars were the direct outcome of the growing might of the international moneylender and that Napoleon himself was a conscious and deliberate opponent of their system?

Then there is no doubt that the deep and tenacious opposition of the people of Ireland to English rule is, and has been, an attack

upon the London usurer. Bishop Berkeley has categorically said so. In 1793 the Irish national debt was £2,250,000. By 1815 it was £80,000,000; and we can get some idea of the operations when, it is realised that between 1820 and 1870 no less than £287,000,000 were raised from the peasants of Ireland by taxation, but only £92,000,000 of public money was spent there. (Quoted from Hollis' "The Two Nations," p. 180, in which work will be found much suppressed history.)

The final disruption of English rule over Ireland was the out come of the policy of Michael Davitt, who, by a comprehension of the methods of the usurer, supplied Parnell with the correct technique for his campaign.

And just as Napoleon opposed the might of international finance, so Hitler also, making the same mistakes and even greater excesses, was the opponent of the present financial system.

In "Mein Kampf" appears the following:—

I had such a clear conception of Germany's development that I knew well that the hardest fight would no longer be against enemy peoples, but against international capital. In Feder's discourse I felt a tremendous, incentive for the coming struggle . . . to-day even they (the middle-class politicians) provided they are not conscious liars—see that the international stock exchange capital was the greatest inciter to war, and is now at the end of the war, leaving nothing undone to change Peace into Hell. The fight against international finance and loan capital has become the most important item on the programme of the German nation in the battle for its economic independence and freedom.

The reader must clearly understand that these views of Hitler did not in the present writer's opinion constitute a justification for the theories and practices of Naziism. They are put forward to show that the world war was the outcome of financial pressure.

It is tragic that the peoples of Britain and the U.S.A. were kept in ignorance of this important aspect of Germanic aspirations, and it was perhaps unfortunate that the first full edition of "Mein Kampf" in England contained one vital paragraph which was mistranslated to read: "I realised that the stiffest fight we would have to wage would *not be against international capital . . . .*" (from page 233 of the 1938 German 330-334th edition.)

That the Russian revolution of 1917 was in the first instance a spontaneous revolt against the financial and economic status quo is certain. But it is significant that the subsequent rise to power

of the Marxian Bolsheviks represented the most colossal and tragic misdirection of all history. It is incontrovertible and, in my opinion, a most pregnant fact of present history, that Russia, in spite of its bloody revolt and of its people's immense privations and sufferings, is still financially orthodox.

The initial opposition on the part of the other European "capitalist" powers was due to a gross misunderstanding of the nature of communism. This was to be expected, since which of the then national leaders had studied the works of Marx? Because the Russian revolution had liquidated all the international capital lent to it, and had caused the confiscation of all foreign owned property, the financial oligarchies made the mistake of thinking that communism meant an attack upon their system and its privileges.

But in due course the leaders of the various countries realised the error of their ways and were not tardy in making amends. Mr. Anthony Eden, having visited Russia, could hopefully report about the year 1941:—

I was in Moscow in 1935, talking to Mr. Stalin. I believed then, as I believe now, that there was no real conflict of interest between the Soviet Union and this country . . . . I believed then, as I believe now, that despite the many obvious differences, our over-riding purpose was the same. We both wished to maintain peace . . . . *What matters in foreign affairs is not the form of internal government of any nation, but its international behaviour.*

An understanding of the present financial-economic situation is all-important if the people of Europe hope to avoid yet a third world war. The financial facts about Russia are not easy to come by, though much economic information is available, but the real issue for our present purpose is clear.

We must remember that banking is a tripartite mechanism, that communism was formulated in ignorance of the First Part, and hence its proposals merely amount to a juggling about with the Second and Third Parts. But for our purpose the First Part is all-important; and there can be no doubt that the present Soviet regime is financially orthodox as regards this part. It is only unorthodox, and that in diminishing degree, as regards the Second and Third Parts; and by financially orthodox I mean that the Russian government bases its currency as far as possible on gold and creates bank deposit money or other credit *as a debt at interest*, just as

does every other country which has elected to remain within the ambit of the international money system.

I am indebted to Hubbard's "Soviet Money and Finance" (MacMillan, 1936) for the following information and quotations. This author had long personal experience of Russia both before and during the Soviet regime.

Thus we learn that (shades of 1694) a State bank (Gosbank) was established by charter in 1921, to issue the new chervonetz currency *backed by a gold reserve*. Gosbank, to quote Hubbard, was to organise credit for the development of industry and to establish a "true currency circulation," and it began by "applications for loans from State institutions." It financed at first light industries and export activities by immediately reproductive short loans. Gosbank's currency and credit were at first apparently based on government deposits and budgetary grants. In fact, the Soviet Communist Party, being rigidly orthodox, resolved in December, 1921, "that the restoration of a currency based on metallic cover was the first step towards reconstructing a market, without which it would be impossible for large scale industry to be quickly reestablished." (p. 10).

In due course other State banks were created. We can get an idea of the state of affairs when we realise that Gosbank at one time paid as much as 8% to 10% per annum interest to depositors, though the peasants' mutual credit co-operative associations were then paying out the fantastic interest of 36% or more. By 1925 there existed the Gosbank (the central bank) and five other banks (the equivalent of our commercial banks). The deposits on current account of the former were then 421 million roubles, and of the latter 487 million roubles.

We are informed by Hubbard that efforts were made to issue loans "on capitalist lines to procure funds for long term Capital investment." And we find that, just as in Britain, the Soviet chervonetz notes are the obligations of the central bank, and that the Treasury notes, also issued by Gosbank, are the obligations of the Treasury. Also "Legally, the circulation of bank notes must be covered to at least 25% by gold, foreign exchange and other precious metals."

Apparently the Treasury notes are covered by an equal amount of chervonetz notes, deposited with the Treasury. By 1935 the

position in Russia differed little from that in other countries. In that year the total note issue was 8,000 million roubles "with a firm cover of 12%."

Here are Hubbard's conclusions:—

In a closed and planned economy the structure and functions of credit institutions are necessarily different in many ways from capitalist banks; *but it is noteworthy that the Soviet economists and financial experts have not succeeded in evolving a new financial system*, rather have they adapted the technique and methods of the capitalist system to their own peculiar needs. (p. 81.) The Gosbank is the central bank . . . its constitution is based on statutes which follow very closely those of other central banks . . . ." (My italics.)

Thus, Gosbank has an issue department with the sole right to issue bank notes; and all credit institutions "must keep their free cash reserves with the Gosbank."

There is in fact nothing in the Soviet economy essentially different from the British or American. The whole system is that of credit creation based on 'usury,' with its usual consequences; but with this difference, that until very recently, while the British and American bankers were able to create credit at a very moderate rate of interest (1% to 4%), the Russian banks were obliged to do so at 8% to 12%, though this has now been reduced. Moreover, the Russian financial regime is an even vaster and more tyrannical one of taxation than the British; and it is made worse by the existence of "voluntary" compulsory loans from the people.\*

And what, finally, is the result of this so-called socialist experiment? Again the truth is dimmed and obscured, but we can extract enough for our purpose. In spite of an absolute State control, the Russian government has fought a losing battle with inflation, and has incurred a debt of terrifying size. The amount of this debt does not appear to have been fully and freely disclosed. In the 1944 Whitaker's Almanac it is stated that the national income for 1941 was 216,800 million roubles (the new rouble in 1939 stood officially at about 25 to the £1 sterling), and that the loans (i.e. the national debt) stood at 13,956 million roubles in January, 1934. The only other information is that the debt service charges in 1937 were 2,579 million roubles.

Hubbard tells us that in 1931 the Russian government was alarmed "by the enormous expansion of credit and currency cir-

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\* See Appendix C.

ulation and began to take steps to stop inflation." (p. 310.) It experienced, in short, the stony path of all communities which take to 'usury,' with inflation, and an unstable price level; and on p. 330 we find these ominous words:—

The path travelled by the rouble since the beginning of 1935 has shown a remarkable convergency towards orthodox capitalist principles . . . . Soviet economic theory may soon be considered reactionary by the advanced advocates of social credit schemes and the manipulation of credit in Western countries.

Perhaps the reader will pardon this long interpolation about Russia, but it seemed necessary in view of the prevailing misconception that that country is "socialist" and has therefore something novel and valuable to present to the world, when in fact Russia has become a "super-capitalist" country which, so long as her credit is created at 'usury,' will become a leading and invincible exponent of international lending and foreign trade dumping, to the perpetual menace of European peace.

Let us now leave our brief review of these indirect oppositions to international 'usury' and see what opposition exists of a more direct variety. Here again we shall surprise readers by its nature and extent, or at least those readers in England who are content to take their knowledge of finance from the finance-suborned press and a tendentious history.

'Usury' has in fact never lacked opponents, though none was able to present effective opposition, since none was able to approach the phenomena correctly. Aristotle and Cicero are numbered among the ancients who condemned but did not comprehend 'usury'. Jesus Christ also indicted it, as a result of which the Roman Church but not the Protestant, has been its enemy.

All sincere public men come sooner or later in their careers to recognise the facts, but either too late to act or with insufficient understanding. Here are two opinions from Napoleon (quoted from Dr. McNair Wilson's "Monarchy or Money Power," p. 92):—

Money has no motherhood; financiers are without patriotism and without decency; their sole object is gain.

One has only to consider what loans can lead to in order to realise their danger. Therefore, I would not have anything to do with them and have always striven against them.

The most powerful indictments, however, have their origin in the United States of America. We have seen how the original States owed their independence to their fight against the money power.

It was only natural, therefore, that subsequent American politics should be closely concerned with that fight. The falsity of American history as portrayed in most British text-books is remarkable. The whole history of the political battles for the U.S. presidency is virtually a struggle with and for the money power.

The presidents after Washington were directly involved with it one way or another; the federal war was fought, not really on the slavery issue, but on the question of financial control; and the division in Republican and Democrat is consciously or otherwise a division for or against high finance.

A brief but effective summary of these events will be found in "The Two Nations " (op. cit.); here we shall content ourselves with a few of the available comments.

Thomas Jefferson, the third President of the United States of America, was under no misapprehension as to the situation. He said:—

I believe that banking institutions are more dangerous to our liberties than standing armies. Already they have raised up a money aristocracy that has set the government at defiance. The issuing power (of money) should be taken from the banks and restored to the government and to the people to whom it belongs. If the American people ever allow private banks to control the issuance of their currency, first by inflation and then by deflation, the corporations that will grow up around them will deprive the people of all their property, until their children will wake up homeless on the land their fathers conquered.

This prophecy, made about 1800, has come true. The Americans rejected, or were unable to accept, Jefferson's advice, and permitted a corporation of banks to generate inflation and deflation, with the result that the American people have been dispossessed in favour of the banking system.

According to Mr. Bassett Jones (quoted from "The Modern Idolatry," page 52), one of the founders of Technocracy, writing in 1932:—

The industrial debt of this country—bonds, mortgages, bank loans, and all other interest-bearing amortized securities—totals approximately \$218,000,000,000 (two hundred and eighteen thousand million dollars). Taxes and obsolescence included, the fixed charges on this debt are \$34,000,000,000 a year, practically half the national income in 1928.

Mr. Bastett Jones then points out that:—

The population of this country has been increasing as the square of time, debt increasing as the fourth power of time, production as the third power of time. It follows that the debt, which must be supported by the



sale of produced goods, increases faster than the production of goods. In other words, the goods are 'put in hock' (i.e. go into pawn) faster than they can be produced.

Quoting from the same page, here is the opinion of Irving Fisher, Professor of Economics at Yale University, as given in 1933 before the Senate Finance Committee:—

The wealth of the nation has shrunk from \$362 billions in 1929 to an estimated \$160 billions in 1933, as against \$200 billions now owed; while the national income has dwindled from \$89 billions in 1929 to \$40 billions in 1932; deflationary forces have drawn it down still further in 1933.

Abraham Lincoln was another of the Presidents who foresaw the dangers of the money system, but he was only able to perceive it towards the end of his tragic tenure of office. In his earlier days he was, like Gladstone, the unconscious catspaw of the system, and when he unmasked it he was assassinated. Does popular history present the truth about the real motives of this murder?

During the Civil War, Lincoln made the following statement to Congress:—

I have two great enemies, the Southern army in front of me and the financial institution in the rear. Of the two, the one in my rear is my greatest foe.

His ideas on monetary policy are to be found on p. 91 of Senate Document No. 23 of the Library of Congress:—

Money is the creature of law and the creation of the original issue of money should be maintained as an exclusive monopoly of national government.

Money possesses no value to the State other than given to it by circulation.

Capital has its proper place and is entitled to every protection. The wages of men should be recognised in the structure of and in the social order as more important than the wages of money.

No duty is more imperative on the Government than the duty it owes the people to furnish them with a sound and uniform currency and of regulating the circulation of the medium of exchange so that labour will be protected from a vicious currency, and commerce will be facilitated by a cheap and safe exchange.

The available supply of gold and silver being wholly inadequate to permit the issuance of coins of intrinsic value or paper currency convertible into coin in the volume required to serve the needs of the people, some other basis of the issue of currency and some means other than the convertibility into coin must be developed to prevent undue fluctuation in the value of paper currency or any other substitute for money of intrinsic value that may come into use.

The monetary needs of increasing numbers of people advancing towards higher standards of living can and should be met by the

Government. Such needs can be served by the issue of national currency and credit through the operation of a national banking system. The circulation of a medium of exchange issued and backed by the Government can be properly regulated and redundancy of issue avoided by withdrawing from circulation such amounts as may be necessary by taxation, reposit, and otherwise. Government has the power to regulate the currency and credit of the Nation.

Government should stand behind its currency and credit and the bank deposits of the nation. No individual should suffer a loss of money through depreciated or inflated currency or bank bankruptcy.

Government possessing the power to create and issue currency and credit as money and enjoying the power to withdraw both currency and credit from circulation by taxation and otherwise, need not and should not borrow capital at interest as the means of financing governmental work and public enterprise. The Government should create, issue and circulate all the currency and credit needed to satisfy the spending power of the Government and the buying power of the consumers. The privilege of creating and issuing money is not only the supreme prerogative of Government, but it is the Government's greatest creative opportunity.

By the adoption of these principles, the long-felt want for a uniform medium will be satisfied. The taxpayers will be saved immense sums in interest, discounts and exchanges. The financing of all public enterprise, the maintenance of stable government and ordered progress, and the conduct of the Treasury will become matters of practical administration. The people can and will be furnished with a currency as safe as their own government. Money will cease to be master and become the servant of humanity. Democracy will rise superior to the money power.

We next come to the infamous McKinlay election. The opponent here was William Jennings Bryan, a champion of monetary reform, if ever there was one. Bryan was the friend and collaborator of Arthur Kitson, that great Anglo-American engineer who was the pioneer of the modern assault on the bankers.

In a celebrated speech in 1896, Bryan asserted that humanity was crucified on a cross of gold, and he made this memorable and trenchant statement:—

The money power preys upon the nation in times of peace and conspires against it in times of adversity. It is more despotic than monarchy, more insolent than autocracy, more selfish than bureaucracy. It denounces, as public enemies, all who question its methods or throw light upon its crimes.

President Theodore Roosevelt was in the succession of those who opposed the big money interests, as was President Woodrow Wilson, who gave the following opinion during the first World War:—

The great monopoly in this country is the monopoly of big credits. A great industrial nation is controlled by its system of credit. The growth of the nation, therefore, and all our activities, are in the hands of a few men who chill and check and destroy genuine economic freedom.

Some of the biggest men in the U.S. in the field of commerce and manufacture are afraid of somebody, are afraid of something. They know there is a power somewhere so organised, so subtle, so watchful, so interlocked, so complete, so pervasive, that they had better not speak above their breath when they speak in condemnation of it.

The late President F. D. Roosevelt was also against the bankers. He had the advantage of learning their tricks from within, and when an ill stroke of fortune laid this great man on his back for several years, he had time to formulate his views and policies. He wrote several books on these subjects and an analysis of his politics as they touch on finance will be found in Dr. McNair Wilson's "Defeat of Debt" (Routledge—1935). The total eclipse of his policies in England constituted a black indictment against the English press, which carefully kept its readers in ignorance as to these vital matters.

But what of England, the reader may ask? Alas, there is little to be said. So powerful have the financial interests been that financial obscurantism is at its darkest in these islands. One of the few, great antagonists of the present system was the celebrated ecclesiastic and philosopher, Bishop Berkeley, who called the Bank of England a "public cheat."

Strangely enough, Mr. Gladstone, who was Chancellor of the Exchequer in 1853, found out something of the activities of the "Bank" and gave this opinion, which will be found in Morley's biography of him:—

From the time I took office as Chancellor I began to learn that the State held, in the face of the Bank and the City, an essentially false position as to finance . . . the hinge of the whole situation was this: the government itself was not to be a substantive power in matters of finance, but was to leave the money power supreme and unquestioned. In the conditions of that situation I was reluctant to acquiesce and I began to fight against it by financial self-assertion from the first. I was tenaciously opposed by the Governor and Deputy Governor of the Bank, who had seats in Parliament, and I had the City for an antagonist on almost every occasion.

This opinion is remarkable in the light of Whig history. No one could question the integrity of Gladstone; yet, so subtle and involved are the machinations of finance that this great public figure was the

chief representative of the party which had at all times served the bankers' real interests. This unconscious servitude to the money power has been a striking feature of British politics for many years; and it is noteworthy that no one becomes Chancellor of the Exchequer unless he has naive conceptions about finance.

Mr. Lloyd George was just such a Chancellor in 1911, and how little he had learned was evidenced by his financial proposals for national resurrection during the world economic crisis. The most fatuous of all Chancellors, however, was the late Lord Snowden, who, as a good socialist, swallowed orthodox finance, rod, hook and sinker, and thereby inflicted untold harm on the working classes. Mr. Churchill fared no better. Without the least show of understanding the matter, he sanctioned Mr. Montagu Norman's calamitous return to gold in 1925.

When we turn to the churches there are signs of opposition from that quarter also. The encyclical *Quadragesimo Anno* of Pope Pius XI (1934 English Translation), Para. 106, is explicit enough:—

This (despotic economic) domination is most powerfully exercised by those who, because they hold and control money, also govern credit and control its allotment, for that reason, supplying, so to speak, the life blood of the entire economic body, and grasping in their hands, as it were, the very soul of production, so that no one can breathe against their will.

The late Archbishop of Canterbury, Dr. William Temple, in

"The Hope of a New World," p. 56, holds that:—

. . . it cannot be justified in modern conditions that the Banks . . . should, in order to meet national needs, create credit which earns interest for themselves. The State must resume the right to control the issue and cancellation of every kind of money. Till that is done, a body within the community will control what is vital to the community, and that is a false principle.

This "false principle" has been a festering sore in every nation for long centuries and must be eradicated if men hope to create an enduring civilisation. The myth history inculcated into all who are subjected to the present education leaves incurably false views as to antiquity. How many realise that in ancient Babylon there were banks associated, as in Egypt, with the national religion; but that (to quote from the article on Banks in the 14th Edition of the *Encyclopaedia Britannica*) by 575 B.C. "private initiative had taken the lead in Babylonian banking?" The Igbi bank "acted as a buying agent for clients; loaned on crops, attaching them in advance

to insure reimbursement; loaned on signatures and on objects, deposited, and received deposits on which it paid interest!"

In Greece in the 4th Century B.C., "at the time of the great: commercial prosperity (!) that brought on the Persian wars—banking was well established. "There were in Greece, in fact, three kinds of banks—deposit banks, which received deposits on interest to administer as current accounts; gold coin banks, and the moneylenders. Moreover, the temples of Ephesus and Delphi "were the most powerful of the Greek banking institutions."

Such, then, is the regular sequence of history. The national banks are displaced by private banks, which end up by being money lenders of credit at interest. Note, too, how religion is always perverted to act as a support or cloak for the moneylenders.

The same thing happened later in Europe. The Order of the Templars (1100-1300) "became the outstanding representative of ecclesiastical banking . . . . its operations included almost every type of the modern bank's activities."

In 1157 the Vitale Bank "was constituted in Venice *by a forced loan to the State, the loaners being empowered to organise as a bank.*"

Thus we see this age-old unvarying story of banking, whose hoary methods have not altered in thousands of years, and which have been totally unable to keep pace with the advances in industry and commerce. It was in 1875 that the then Lord Chief Justice of England said:—"The issue which has swept down the centuries, and which will have to be fought sooner or later, is *The People v. The Banks.*"

When we come to examine the opposition which has been recently apparent amongst financial writers, we have a host of witnesses, many of whom have already been quoted, but of course these writers are not professional bankers.

It may now be asked whether there is any opposition to the financial system from within. The answer is in a qualified affirmative. Quite clearly, the leaders of the present system are not prepared to tolerate a fundamental attack upon it, i.e. an attack upon 'usury' and the gold basis. Any who promoted such views would simply be excluded from active participation—would, indeed, require in conscience to exclude themselves from it, and such, as we shall see, was the fate of at least one central banker.

There has, nevertheless, been a plentiful though limited criticism by bankers of the system within its present ambit, e.g. the late Lord Keynes, the late Mr. McKenna, and Mr. S. S. Metz. And here let us not forget the notable rôle of Mr. Graham Towers, already quoted.

The distinguished exception above mentioned was the late Vincent C. Vickers, who deserves special note. This courageous figure began with the greatest of handicaps to an understanding of the forces at work in society. His family was rich and influential, and he was educated at Eton and Oxford. He was for twenty-two years a director of the armament firm of Vickers Limited, a Deputy-Lieutenant of the City of London, a director of the London Assurance Company, and a Governor of the Bank of England from 1910 until his resignation by way of protest in 1919.

He left no written record of his final interview with Mr. Montagu Norman, the then head of the Bank, but he resigned because he found himself unable to take further part in a policy of which he deeply disapproved.

In his preface to Eisler's "Stable Money" (The Search Publishing Company, London, 1932) he says:—

But I am fully qualified to tell the public that, in my view, it is entirely mistaken if it believes that the Monetary System of this Country is normally managed by recognised monetary experts working in accordance with the most scientific and up-to-date methods known to modern economists. What I wish to convey is that it does not necessarily follow that, because the Governor of the Bank of England cannot devise a more far-seeing policy of monetary reconstruction, nobody else could do it for him, or in his place. Since 1919 the Monetary policy of the Government has been the policy of the Bank of England, and the policy of the Bank of England has been the policy of Mr. Montagu Norman. It was not Mr. Winston Churchill . . . who initiated or was to blame for our return to the Gold Standard in 1925; it was not Mr. Baldwin who decided the terms of the Bank Note and Currency Act, or who took it upon himself to ignore the request of certain industrialists for an enquiry into Monetary Policy in 1928; nor . . . was it Lord Snowden who personally pigeon-holed that request for a Royal Commission on Monetary Policy and who substituted so soon afterwards the MacMillan Committee which seemed to some so redolent of Threadneedle Street. . . . When we are told one day that the national safety depends upon adherence to the Gold Standard no matter what the sacrifice! Again a week or so later that our abandonment of it will bring Salvation and Prosperity to our Industries! . . . When we see great sections of the community clamouring for Monetary Reform . . . and when we remember the opinions and warnings of . . . Lord Melchett,

Mr. Reginald McKenna, Lord D'Abernon, Sir Robert Home, and many more . . . then it is surely time for the Government to seek advice elsewhere and to encourage open discussion, rather than attempt to 'shelve' the question, as was done at Ottawa, and to avoid the issue because it is so difficult.

These views leave us in no doubt as to what Vincent Vickers thought of the system he knew so well from within. His last little book, "Economic Tribulation" (Bodley Head, 1941), was written in 1939 while he lay in failing health on his death-bed. He thus carried out the policy which he explained to Mr. Montagu Norman in 1926, that "henceforth I was going to fight him and the Gold Standard and the Bank of England policy until I died." His experiences made him say "I still believe that the existing system is actively harmful to the State, creates poverty and unemployment, and is the root cause of war." On p. 64 he opines:—

This national and mainly international dictatorship of money, which plays off one country against another, and which, through the ownership of a large portion of the Press, converts the advertisement of its own private opinion into the semblance of general public opinion, cannot for much longer be permitted to render Democratic government a mere nickname.

On p. 68 he addresses the bankers thus:—

The monetary experts, the banking and finance interests, led astray at first by the City of London . . . failed to pay sufficient attention to a new factor . . . which they themselves had created. . . This new factor is the ogre of the world's stupendous indebtedness to its own financial system. With every market short of purchasing power, the financial system set the whole world gambling on its future capacity to produce more and sell more and at the same time pay off its debts; and it is mainly the abnormal efforts of almost every nation to pay off, or even to pay the interest on, its impossible debts, which have resulted in the present international confusion . . . What finance has failed to perceive is that there is a limit to the profitable increase of the indebtedness.

On p. 71 et seq. he warns the moneylenders in these terms:—

. . . to recognise what is inevitable and to decide whether it is best to continue the present regime . . . or to recognise that . . . they should immediately take steps to associate themselves with those who are demanding reform of the monetary system.

Amongst Vincent Vickers's proposals for reform (summarised on pp. 74 and 75) are the following:—

(a) Any additional supply of money should be issued as a clear asset to the State; so that money will be spent into existence and not lent it into existence.

(b) The fluctuating quantity of gold lying in the vaults of the banking system should never be permitted to govern the volume of credit and currency needed by the country.

(c) The abolition of the debt system where all credit is created by the banks and hired out at interest to the country.

Now arises this important question. If the money system has been extensively attacked and exposed, why has it continued to survive at all?

Once again the full explanation will have to be delayed until the function of the mind has been studied. Briefly, I shall contend that the errors in society are the direct consequence of a special variety of ignorance, or nescience, by which men are fatally confused in their thinking. By the erroneous use of the mind they create false conceptions which make a realistic grasp of events impossible.

These false conceptions are here designated as 'Myths,'\* which pervade all realms of human activity. There are, however, four of major importance, two of which, the 'Myth of Money' and the 'Myth of Action,' are germane to our present question. Putting the matter in another way, the exposures of the money mechanism have remained abortive because of the illusions which all people entertain about it and because of the 'Myth of Action'† by which effective opposition is paralysed.

Let us firstly examine the 'Myth of Money,' We have seen how nearly all conceptions commonly held by the public about banks and banking are illusions based upon experience with metallic money; and we have, it is hoped, successfully unveiled the truth.

We have now to look into this question from the point of view of the professional bankers and economists. Surely, thinks the reader, if anyone ought to know the system in its entirety, it is they.

Here I shall contend that the very opposite is in fact the case. I believe that one of the most potent sanctions for the present system is that banking and economic theory, as taught in the universities and the various schools of economics, is nothing, but a gigantic apparition of the mind's creation.

I believe that professional bankers and economists are also under the sway of false conceptions; for which reason their writings have no claim whatever to be portrayals of reality.

We shall deal firstly with the bankers. The prime fact to

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\* See Page 196.

† See Chapter 12.



remember is that we are here concerned chiefly with the First Part of Banking, while most treatises on money and economics deal almost exclusively with the Second and Third Parts.

As Jeffrey Mark has put it, the fact that no one has any money to lend to the hankers on deposit, since all deposits derive from a loan made by the banks to someone else, was not admitted (or indeed recognised) by the bankers until about 30 years ago, even though this had been the case ever since currency was controlled by the issue of notes. In other words, the central fact of banking was unknown to writers on economics until very recently, and even now is far from being generally admitted.

In proof of this assertion, let us consult the 11th (1910) edition off the Encyclopaedia Britannica on Banks and Banking.

The manner in which a bank prospers is explained by David Ricardo . . . . in a passage . . . . where he tells us that a bank would never be established if it obtained no other profits but those derived from employment of its own capital. The real advantage of a bank to the community it serves commences only when it employs the capital of others. The money which a bank controls in the form of deposits which it receives . . . is loaned out by it again to those who desire to borrow and can show that they may be trusted. . . . Some of the deposits merely lie in the; bank . . . . Some, the greater part by far, of the deposits enable the bank to make advances to men who employ the funds with which they are entrusted in reproductive industry, that is to say, in a manner which not only brings back a greater value than the amount originally lent to them; but assists the business development of the country . . . . It is only through reproductive industry that the capital advanced by a banker can really be replaced. A loan sometimes, it is true, is repaid from the proceeds of the sale of a security, but this only means a transfer of capital from one hand to another; money that is not transferred in this way must be made (!) by its owner.

It should be observed that the author of these views was Sir Robert Palgrave, F.R.S., a director of Barclay's Bank, editor of the "Economist" from 1871-1883, editor of a "Dictionary of Political Economy," etc., etc.

But when we turn to the article on Money in the 14th (1929) edition of the same encyclopaedia (p. 698), we find the celebrated statement, from the pen of R. G. Hawtrey, then Assistant Secretary to the British Treasury, that "Banks lend by creating credit; they create the means of payment out of nothing."

Clearly, then, Mr. Hawtrey and Sir Robert Palgrave cannot both be right; but we need not discuss the merits of their respective views,

for we have already settled the question, and the views of the latter author are erroneous.

We now ask whether this distinguished writer and commercial banker was deliberately evasive, or merely foolish. He was, in fact, neither. He was the practitioner of a business which he had thoroughly learned and which he essayed to explain and describe. Unfortunately, as is so often the case in other realms of action, his practical work was one thing and his theory quite another. Because he was unable to reason inductively about the phenomena of banking, he contented himself with a cursory examination of the facts *as they appeared from the point of view of commercial banking practice*.

From this orientation it is true that banks take in money on deposit and lend it out to others, or at least appear to do so, and that the process brings in, or at least appears to bring in, more than the amount originally lent, and that this extra money must be "made" by the borrower, and so on.

But these views are simply the naive conceptions of those who have not studied the system in its entirety; and this system is now so complex, and so overlaid by successive manipulations, that it is impossible to arrive at the truth without an investigation which goes right back to the primary (and until recently, secret) elements of central banking.

This naive view, which still persists amongst commercial and indeed most bankers and is the chief stock-in-trade of professional economists and political ideologists, might be fittingly described as the Deposit Delusion Theory of Banking.

The importance of this specious theory cannot be overestimated as a basis for the 'Myth of Money.' The expositions of finance by orthodox writers, and especially in students' text-books, are almost entirely built round it, and from it spring a luxurious embarrassment of euphemisms, ambiguities and verbal taradiddles which reduce reason to zero.

The reader has already been introduced to some of these false conceptions. The word "deposit" has, I hope, been well and truly debunked. "Credit" has a bewildering variety of meanings depending on the vantage ground from which it is viewed; and the same applies to "debt," as we showed in the introduction.

A pretty specimen of subterfuge is "bank cash," or, simply "cash." This conveys to the uninstructed the conception of coins, of substantial "real" money. To the central banker it means either (a) his gold coin, (b) his bullion, (c) Treasury notes, government securities or any other paper instrument which is for the time being acceptable; and indeed it usually means all three things taken together three at a time in an endless series of permutations. To the commercial banker "cash" means chiefly his balance at the central bank, i.e. not cash in any honest sense at all, but banknotes and yet more securities. This word is also used in a quite mendacious way by bankers to describe, for example, "the cash paid out to borrowers " (quoted from McKenna), when in fact nothing is paid out and only figures are moved in ledgers "Currency" is likewise utilised in a deceptive manner. It ought to mean coins and notes; but it too, especially in reference to foreign trade, describes transactions wherein no notes or coins were ever used.

"Circulation of money", is another blind to the unwary. This expression is invalid as a description of the debiting or crediting of bank deposit money, and is only one of the many deceits consequent upon importing the conceptions of metallic money into the airy realms of financial credit. "Inflation" is a word of great value to the orthodox system. It is the banker's bugaboo to frighten the rentier class. It implies that if governments, unlike the bankers, merely print paper money, then "inflation" is the result. Bankers always indicate the danger of inflation but maintain laudable discretion as to deflation. The terms "sound money" or "convertible money" are also bankers' prevarications. There has never been "sound money" or "convertible money" since the primitive bankers departed from a solid 100% gold backing, if, indeed, such a backing ever really existed. All modern money is, financially speaking, "unsound" and inconvertible into anything. Nevertheless the Bank of England notes are still impudently printed, under the personal signature of the chief cashier (!) with the statement "I Promise to pay the Bearer on Demand the sum of one Pound" or whatever the denomination may be. It is worth noting that the "I" is superimposed upon the "P" of promise in

such a way as to be virtually indecipherable, so that the correct wording is almost unknown.

A scrutiny of a £1 note would well repay anyone. On the back is the representation of a very solid and imposing building (i.e. the bank) and two representations of the reverse of the old-fashioned golden sovereign. This is intended to convey the truth that for one real sovereign you can now get two of the £1 notes. On the face of the note is the seated figure of a bucolic female of uncertain age, grasping a spear and sitting wearily by a shield. This is the famous Old Lady of Threadneedle Street, with an old-fashioned beehive at her feet—the symbol of other people's industry, whose honey she dutifully obtains.

But the last word on symbolism is the apparently blank circle in the centre of the note. At first sight we might be tempted to explain this as the symbol of eternity—the bank goes on, as it were, *in secula seculorum*—but on holding the note to the light the truth appears, for there, watermarked into the paper, is none other than a representation of Britannia herself. But what a Britannia! Bereft of trident, shield, or throne, a grotesque helmet temulently poised over a monstrous Hellenic nose, this obscure Britannia perfectly symbolises the eclipse suffered by that lady in her losing battles with the bankers. The Hellenic nose indicates with subtle flattery the incomparable debt to Greek thought in the sustaining of the 'Myth of Money.'

And, lastly, suppose that, one does go to the chief cashier of the Bank of England with a pound note, and demands the sum of £1 as promised, what does the reader imagine he would be given?

Perhaps the greatest of the banker's hoaxes, however, is "on gold" and "off gold." The implication is that there is somewhere a recognisable and accepted entity called "*the* gold standard," which, of course, you can "go on" or "go off." The first thing to state is that there has never been *a* gold standard or in fact any recognisable or accepted standard. There are in theory three chief types of gold standard, each with several sub-varieties, not one of which has had more than a passing and geographically limited acceptability at any time. In practice these "standards" have been as variable as the barometric pressure.

The public was informed, for example, that in 1931 Britain went "off gold." It will surprise most citizens of that country to

know that they were, at least until the recent war, very much "on gold," since the 1931 phrase only meant that the Bank of England was no longer under a legal obligation to sell gold, though it was at liberty to do so. In the sphere of reality this meant that the Bank of England would no longer be obliged to balance deficiencies in international trade by gold from its reserves.

The chief duplicity of banking, however, is to be found in the so-called annual balance sheets. We have already seen that, so far as the Bank of England is concerned, there is no balance sheet—in the words quoted there is "nothing whatever." There is, of course, the statutory weekly return based on the "sound money" hocus pocus; but there is nothing available to instruct the citizen as to the real business of the bank.

As for the commercial banks, the published statements, which have the appearance of a limited liability company's balance sheet, are masterpieces of financial subterfuge, whose mysteries are impenetrable save to the initiate. The chief fraud is, of course, the legalised sanction which permits bankers to write up their debts as deposits, thus lending support to the 'Deposit Delusion' school of thought.

The final fraud is that all banks have enormous "hidden reserves" whose actual amount, according to the late Rt. Hon. Reginald McKenna, "for accounting reasons as well as considerations of prudence" cannot be stated. He blandly reminds us that "a small annual accumulation over a hundred years (? at compound interest) will reach a notable figure." (From "What is Banking?" in the Bankers' Magazine of December 1942—the author's swan song.) Thus, he tells us, "the true capital of the banks . . . is not then the published figure of paid-up capital, on which the rate of dividend is calculated, but the whole of the capital and reserves, disclosed and undisclosed, taken together;" and since the real dividend is given as nearer 4% than 16%, we can guess that the true capital of the commercial banks is four times the official amount—truly "a notable figure."

Another official subterfuge, which demands attention, is the idea that the banks are merely neutral stations for the handling of other people's money and that bankers have no control over the deposits since the sole initiative to spend them lies entirely with the customers.

This idea has only a very limited validity. It is true that a few individual depositors may at any one time spend their deposits as and when they please. But in practice most depositors are very limited as to the potential use of their money. In any event it is a financial impossibility for all depositors to lift and spend at once all bank deposits. It is at all times difficult to convince people who have a credit balance at a bank that this credit is not theirs, absolutely and unequivocally to use as they like. In the first place, since all private balances derive from negative amounts elsewhere in the system, the ultimate control rests with those negative amounts, which are debt. Now people with negative balances (i.e. debtors to the bank) are not free to do as they like, and neither have credit depositors any control over bank securities or the central banks' obligations.

Yet it is just these factors which absolutely determine the amount of deposits. As examples of the way in which depositors are involved, suppose the central bank so operates as to cause "inflation"—any individual depositor's balance may remain fixed; but since prices have risen, his real balance has in fact diminished. Likewise, if "deflation" is in being the depositor may require to liquidate some of his money to sustain a business deal; but because he is ignorant of banking technique he does not see that this diminution in his deposit is directly due to the hidden operations of the bankers, who have in very truth reduced it.

The existence of these verbal deceits, then, is part and parcel of the 'Money Myth,' only to be understood by reverting to our previous analogy. The old adage that one lie leads to another is nowhere more exemplified than in the practice of embezzlement. The embezzler begins hopefully by keeping two sets of ledgers—one for himself, giving the truth, and the other for official and public consumption. But sooner or later he finds that the fraud grows in complexity and two sets of ledgers are insufficient. He thus prepares other false books, and so on it goes until finally the embezzler himself gets lost and doesn't know financial truth from falsehood.

There is nothing more certain than that the early bankers who secretly issued more notes than they had gold, kept two sets of ledgers—one for the use of their "customers" and the other giving the truth but seen only by their own eyes.

To-day the situation is identical. The bankers, as arch-embezzlers, keep two sets of books—one for private and the other for public consumption. The former have now got so complicated that the bankers themselves have difficulty in understanding them; the latter are so numerous and so involved that no one can understand them, hence one good reason for the existence of the professional economists.

(Readers are again reminded that present-day bankers are not, as individuals, consciously dishonest or deliberate embezzlers. They are men trained each to handle one or two of the false ledgers, and the whole structure is so grandiose that few, if any, grasp the real situation.)

Amongst the ledgers exposed to the public there lie vast sums of what I have called 'Accountancy Money.' This variety is not apparently recognised by economists, but it is of first importance for the sustaining of illusion and it is necessary to understand its function and mode of creation; It is all money which has no actual existence in terms of bank deposits or currency.

When, for example, a firm sets up in business and acquires capital to the amount, say, of £500,000, then the most of this sum will be expended on plant, buildings, raw materials, and so on. Now suppose that within twenty years this firm issues a balance sheet. If it has been fortunate, this will show certain assets which are the estimated or imagined value of plant, ground, buildings, goodwill, stock, and so on, to the amount of, say, £700,000. But where is this sum, of money? The answer is that it has no existence except in terms of myth.

What happens is this. People own houses, land, factories, goods and chattels, and the thousand other things which belong collectively to the community. These items cannot in fact be valued in terms of money. Their real and actual money value *at any given moment* is what any one article would fetch if sold in the open market. But many things (e.g. goodwill, a piece of ground already occupied by a going concern) are unsaleable on the open market; and if it were attempted to sell everything at *once* there would be no market and no price for the simple reason that there does not exist in the form of currency or bank deposits even a fractional part of the money to pay for them.

Jeffrey Mark (p. 110, "Modern Idolatry"), puts the position thus—

The whole process of capital development is, in fact, an enormous bubble which is blown up by the respiratory process of deposit circulation. If any attempt is made to probe it, it immediately bursts. This can be proved by considering what would happen if an attempt were made to realize these assets, which make up the debt structure, at market value. If all obligations were resolved in favour of the financial creditor, it is certain that the criss-cross of mutual indebtedness between individuals and business . . . . would largely cancel out . . . . that goods and fixed assets would gradually decrease in financial value to the dimensions of and finally attach themselves to those individuals and concerns who had an ultimate claim on bank deposits. But as the banks would be legally prevented from issuing more than about one-tenth of the currency tokens needed for the complete redemption of these deposits, we would be left with a world in which about 90% of all the wealth in existence had been confiscated as the legal property of the banks. The world, in fact, would get about ten cents in the dollar in actual wealth as well as currency and would stand revealed for what it really is—a bankrupt from top to bottom.

Here, in an incisive paragraph, is the truth about the rôle and nature of 'Accountancy Money.' It is constituted of these millions of pounds of money which are simply imagined to exist in order to satisfy the needs of a universal debt system which can only survive as a running solvency of a most precarious nature.

The difficulties of dealing with 'Accountancy Money' are almost insuperable, and yet they have to be dealt with if the bankers wish to keep their system alive. This is especially so in regard to the widespread ramifications of taxation, e.g. in the case of death duties, when large sums are yearly imagined into existence by government accountants, the unfortunate heritors being left the unjust task of obtaining the equivalent sum out of bank deposits.

The actual business of understanding the conventions and the unrealities of 'Accountancy Money' is in fact so difficult that specially talented young men spend some years in close study in the effort to deal with it. Finally, when they have satisfied their superiors, they enter the ranks of a closed profession and are known as chartered accountants, without whose professional exertions neither bankers, governments, nor the public could survive financially.

The illusions which sustain the financial system, and which confuse men's minds about it, would not be complete without a



portrayal of an equally potent realm of deceit, which is the field of economics. In this domain, the possibility of a correct apprehension is also vitiated by a barrage of technical words and by the preposterous fact that the practitioners of economics and its theoretical exponents live and move in different worlds. In fact there is no realm of mental activity wherein a rigid semantic discipline is more urgently needed.

We shall begin by a survey of evidence culled from "The Substance of Economics" by Silverman (Pitman, 1940). This, the eleventh edition, is a popular work "for the student and general reader," and starts with several definitions of economics, one of which confuses real wealth with financial wealth; while another, by Professor Lionel Robbins, which is the acme of abstractionism, "defines Economics as being concerned with the relationship between ends and scarce means which have alternative uses!" These discouraging definitions are then followed up by a reference to economic "laws." We are told by Mr. Silverman that these laws are not so exact as those of the physical sciences, that they are nothing more than

. . . statements of bare tendency . . . liable to be offset by external and changing circumstances. But the fact that the operation of an economic law may be contracted or concealed does not disprove its validity. Conditions may require that the normal operations of an economic law should be prevented or mitigated, as for example price-fixing in war time or other emergency. Such action, however, is more likely to be effective if it is based on an adequate knowledge of economic principles. (P 4.)

The student of science who reads this vertiginous nonsense will certainly be astonished. The use of the word law here is without sense or meaning, and an examination of most text books on economics shows that the word theory is used with equal abandon. In fact, this pseudo-science is only comprehensible to those who suffer from mental astigmatism; and its reasoning is based on words which are mostly meaningless abstractions.

"Overproduction" is an example of this verbal pabulum. We all know what production means, but what is economic overproduction? What constitutes this apparent plenitude of things? From the producer's point of view, it simply means that he has a quantity of unsold goods on his hands. From the consumer's point of view, it might conceivably mean that there was more of a certain

commodity than could possibly be used, e.g. shells and aeroplanes in 1919. What it usually means is in fact a gross under-production, thus:

Commodity X is needed by 90% of the population. Manufacturers make enough to supply 50% of the population. Only 20% of the population have money enough to buy it.

Therefore (according to economists) the 30% difference represents "over-production."

Could nonsense proceed farther? In this heartless study the consumer is not considered as a human being at all. He is even considered as less than live stock. The economist defines overproduction as a state wherein the supply is in excess of what is pleasantly called "effective demand," which means that the goods are actually there, but the public is short of purchasing power. "Under-consumption " is another phrase used by economists and is usually equally silly.

Capital is defined as "wealth set aside for the production of further wealth " (p. 28 op. cit.). Note again the fatal confusion between real wealth and financial wealth, and the implication that capital is something which simply exists *in rerum naturâ* and can be conveniently "set aside."

Capital is thus "savings"—something the individual acquires by his "capacity to produce wealth in excess of immediately necessary consumption." (p. 30.) Then we are told that saving is also accomplished by the banking system "collecting relatively small amounts of wealth, and putting the total to more productive use!" This view is apparently based on the fact that "money deposited with the bank is ordinarily re-invested, but in times of difficulty (!) the bank may have little outlet for safe investment, causing perhaps a certain congestion . . . ." This, then, causes "over-saving." Clearly, of course, these jejune conceptions are the outcome of the author's adherence to the 'Deposit Delusion theory.'

"Competition" is another of the nonsense words dear to economists. This abstraction is supposed to be due to another abstraction called "rivalry" between firms and persons, either as producers, consumers, workers, or what not. The reader will be delighted to learn that "competition" may be "perfect" when any of four imaginary categories of situation exist, but "imperfect" **when** any of six other categories exist.

“Supply” and “demand” are excellent examples of the official abracadabra. Whole books have been written about the supposed laws governing them, but nothing is mentioned about the fundamental situation, which is that both the supply of goods and the effective demand for them are prime functions of the 'First Part of Banking.'

When we consider the economist's views on wages, we are into the very depths of the subject. Many have been the attempts to reach enlightenment on this recondite question. How little does the working man realise the magnitude of the problem as he gazes on his pay-packet! Why, the problem of wage economics is not even within sight of solution.

In the far-off days of economic ignorance there was the celebrated "Subsistence Theory" or "The Iron Law of Wages." This theory supposed that "if workers received more than a bare living, population would increase in consequence, competition would become keener, and the wage would be dragged down again to the bare subsistence level."

The "Wages Fund Theory" was a distinct advance in economic thought. It held that wages depended on the proportion between population and capital. Later on, as research widened the field and as more enlightened economists delved into it, there developed "Production Theories"—quite a number of them. These new theories were a heartening advance on the static conceptions of the older economists. They postulated that wages "are paid not out of a fixed fund, but rather from a 'continuous stream,' the volume of which is variable within wide limits."

It is difficult here for one unaccustomed to these flights of reason not to feel a sense of awe as the citadel of truth is approached! The "continuous stream" and its variable volume made computations so awkward that only a resort to the calculus and other, methods of higher mathematics made progress possible.

One variant of the new economic knowledge thus wrested from nature was "The Residual Claimant Theory of Wages," and its colleague "The Marginal Productivity Theory," which latter conceived that "wages are the discounted marginal product of labour," and this, we are told, "approximates to the truth more closely than earlier-theories."

There is no need to wander further into this sterile and arid

domain. The writings of professional economists have as much contact with reality as the vapourings of Greek rhetoric, the subtleties of mediaeval theology, or the imaginings of 19th century psychology, of all of which mental aberrations economics is the legitimate descendant.

This ridiculous science is characterised above all by its bleak abstractionism, which creates ever more tenuous structures out of useless words; by its complete and absolute ignorance of the very *fons et origo* of all economics, the 'First Part of Banking,' and in its exponents by a chronic callosity of heart and mind which is impervious to the mass of human suffering engendered by the very system it purports to describe.

But of all the pachydermatous pundits who have professed this subject, probably the most calloused was David Ricardo. This Dutch-Jewish millionaire, who was later "received" into the Anglican Church, published his celebrated "Principles of Political Economy and Taxation" in 1817.

In this prodigy of ratiocination the author held that wages would tend to fall below the subsistence level, but that this declension would only be temporary, since the large number of workmen who thus died of starvation would cause the value of labour to increase and wages to rise accordingly. Ricardo expressed the matter prettily thus: "After their privations have decreased their number . . . . the market price of labour will rise to its natural price."

To anyone who approaches orthodox economics with an open mind trained in scientific methods, the experience will provide a sombre and salutary lesson on the limitations of human reason. As supporters of the debt-mongers, the professional economists form an invincible phalanx of defence, to which in recent years has been added a smoke-screen of second-hand psychology.

It is true that there are financial and economic writers who are breaking away from the orthodox presentation, but such people are not likely to arrive meantime at any position of eminence, since the Financial Filter will reject them.

The hinge on which all revolves is the faulty use of the human mind. The long persistence of the present financial system, the futility of the many exposures made of it and the impotence of the attacks, have their origin and cause in the acceptance by the financial laity of completely erroneous conceptions about it, cor-

roborated and buttressed by a formidable mass of equally false ideas formulated by the financial priesthood.

Based mainly on the usurer's lies and the 'Deposit Delusion Theory of Banking,' these false views constitute one of the four major deceptions by which men are enthralled—the 'Myth of Money.'

It is not systems, not finance, not economics, which enslave men, but the creations of their own minds, and none has caused more suffering and misdirection of effort in centuries of human endeavour than this failure to grasp reality in the realm of money.

The present financial system is a living lie and the father of lies. It is the instigator of all social and international strife and the chief cause of much personal strife. It is the progenitor of poverty, squalor, disease and inefficiency, and by a horrible miscegenation has begotten both a false education and a false religion.

The canker of 'usury' perverts human effort into a chaos of frustration and meaninglessness. In the end it desiccates the very souls of its adherents and by the corruption of honours destroys the genuine aristocrats of heart and mind. The apotheosis of 'usury,' presaging social eclipse, is one of two extremes which meet—the rise of a dictatorship based on force or of a false democracy based on fraud. In the Hell's brew of dictatorship the bullies come to the top; in the cauldron of democracy the scum rises in a froth of futility.

At this moment in history there are signs that the bankers' bonds, literally and figuratively, are giving way. In many countries the common people, by the resort to barter and script organisations and other such devices to side-step the money system, have indicated their allegiance. In many more, as in Canada, New Zealand and Australia, and in parts of U.S.A., the financial situation has been well appraised, while in every belligerent country the majority of the people realised that they were fighting in a bankers' war.

We have now unveiled the facts of the monetary mechanism and have exposed the myths by which it is sustained and nourished. Let us conclude with a series of postulates which summarise the various technicalities.\*

- (1) Money is almost entirely, and, for purposes of industry and government entirely, financial credit.

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\* See Appendix B.

- (2) Financial credit is bank created.
- (3) It is created as a debt at interest due by the community to the banking system.
- (4) This debt is automatically self-cumulative and irredeemable.
- (5) The total quantity of money thus created in any credit area varies only with the action of the central bank.
- (6) The limitation in the total quantity of money is thus fixed by an organisation whose policy is self-determined.
- (7) This limitation is fixed without respect to the consuming capacity of the public or the producing capacity of industry.
- (8) The quantity of money available and the policy of the banking system are both determined in the last resort by the canon of international finance.
- (9) The canon of international finance is determined by the use of gold as the basis of currency, and by the mechanism of 'usury.'
- (10) The mechanism of 'usury' automatically generates an uncontrollable cycle of financial and hence economic expansion and contraction.
- (11) The mainspring of all European history is the usurious money system.
- (12) The persistence and inviolability of this system is due to the acceptance of false conceptions regarding it.

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# **Part Three**

## **The Mental Mechanism and our Servitude Thereto**



*Putting usury on a pedestal, in order to set avarice on high, the protestant countries twisted all morality out of shape. "Moral" was narrowed down to application to carnal relations. Thus acting as usurer's red herring. The hogger of harvest has always set up a red-herring system.*

*Usury is contra naturam. It is not merely in opposition to nature's increases, it is antithetic to discrimination by the senses. Discrimination by the senses is dangerous to avarice. It is dangerous because any perception or any high development of the perceptive faculties may lead to knowledge. The money changer only thrives on ignorance. He thrives on all sorts of insensitivity and non-perception. An instant sense of proportion imperils financiers.*

From Ezra Pound's *Guide to Kulchur*.

## *Chapter Ten*

### MIND—THE MYTH MAKER

We have now considered the Philosophy of Mechanism and have investigated that most important and least understood of all the social mechanisms—the financial.

In this, the third section, we shall consider another very important and also little understood mechanism—that of the mind.

Its importance lies in the fact that through the mind men come to grips with their environment and therefore they will fall into error unless the nature and the limitations of the mind are held in view.

The events of society are clearly the consequence of the mutual inter-operation of two basic factors—the pressure or stimulus of environment acting upon individuals, and their response as such to that pressure.

Now the response to environmental pressure is made through the mind, using that word in its usual European sense, to mean the triple functions of knowing, feeling and willing.

It is true that we cannot in reality divorce feeling from knowing. These two aspects of consciousness are one, and I am prepared to agree with modern psychologists that action is not necessarily the product of a purely rational process but may originate in the "subconscious."

But whatever the mechanism, while human response to environmental pressure may provoke emotional response (anger, resentment, joy, etc.), in the long run men come to use reason and hence, consciously or otherwise, they build up in the mind a series of

concepts which then become their framework of reference for future experience, and on which they inevitably take action.

In a study of social science, therefore, it is of first importance to know something of the workings of the mind. This is the province of psychology; but though recent developments of this science show promise, there is as yet no measure of agreement either as to fundamentals, definitions, classification, or nomenclature. Such being the case, it will suit our present purpose if the reader will accept as a mental convenience an agreed framework of reference. This framework is not put forward as "truth," whatever that may mean, or even as necessarily representing, in any particular sense, what actually happens in these debatable and not very accessible realms; but it is, I believe, sufficiently practical and, I hope, sufficiently non-controversial for our purpose.

I shall assume that man is essentially a special aspect of consciousness which utilises various mechanisms for the purpose of experience. Thus there is the physical body for putting the consciousness in touch with the physical world through the senses; and there are the mechanisms through which men feel and think. Putting it in another way, the body, feelings, emotions and thoughts are not the man but the instruments or mechanisms of the individuality.

But a mechanism can only be used with efficiency when its 'objective' and the technical processes of its attainment are known. In other words, to use our mechanisms correctly we must know what they are designed to do, and, if possible, how they do it.

It is clear that consciousness is able to focus itself in or through its various mechanisms by acts of attention and in other ways. The focus is shifted about as experience demands, but at the present; stage of human evolution it is most persistently and actively centred in the mind. Furthermore, there is a relationship between the mind aspect of consciousness and its various contacts, whose content can conveniently be termed truth, or, as I prefer it, 'reality.'\*

Here we are in a realm which is not readily susceptible to verbal description, but I believe that when 'reality' is apprehended, at whatever level of experience, there is thereby produced a peculiar but recognisable *certainty*, a sense of rightness, of appositeness,

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\* See Index of Definitions.

which I shall denote by the generic term 'knowledge,' and whose validity, where possible, rests on the mutual agreement of competent observers.

Whenever 'reality' is perceived or apprehended, the process is therefore a 'knowing,' in which sense the word will be used here. Now it will be realised that there are various modes by which 'reality' can be apprehended. 'Knowledge,' in fact, is of various kinds, depending on and becoming accessible by bodily, aesthetic, emotional, mental or 'Supra-mental' perceptions.

When we go through the process of 'knowing' by the aid of the intellectual mind, or, as I frequently call it, the mental mechanism, the result is Mental Knowledge. When the mind follows out a nexus of concepts for the purpose of reaching conclusions, that is reason, and the whole process of thus 'knowing' is thinking or mentation.

Note that according to these views there is an important difference between 'knowledge' and belief. The former is a personal perception of 'reality' which may be arrived at directly, or it may require the aid of reason. Belief, on the other hand, is not necessarily 'reality' and may depend on the 'knowledge' or reason of another. As such, however, it is liable to a greater degree of error or unreality; but, if accepted by the personality, it will nevertheless be acted upon.

Now comes the question as to the function of the mental mechanism. When we look out upon the world around us we see it to be composed of a mass of events which follow out endless sequences of cause and effect. There are hence no simple or absolute causes in this phenomenal world; nor are there absolute or final effects. There is simply a causal nexus of events, and I conceive it to be the primary function of the mental mechanism\* to discern or disentangle the causal nexus. If this view is correct, it is clearly impossible for the mind to discover absolute causes or to attain to more than a very relative degree of truth, which has been a central theme in the teaching of every great religion. The mind can, however, discover 'reality' at certain levels, and this particular use of it has in fact created modern science.

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• There are, of course, other functions of the mind, but these do not concern us here.

There are those who may object to these views and assumptions. To them I would say that they are put forward chiefly as mental conveniences for the purpose of written exposition; but in any event it should be clearly understood that they have only a partial relevance to the development of the arguments which follow. For the purpose of this chapter we need only be agreed that it is mainly through the mind (whatever that is) that men react to the pressure of environment.

It is probably true that many of the end operations of the mind in its broader sense, have their origin in the deeper strata of consciousness; but the final result is the same. The man, whatever the essential nature of the process, comes ultimately to elaborate a mental framework which in effect constitutes his philosophy, and on which he is bound to act.

But before the mind can function it is under the necessity of using symbols or labels, since it cannot deal with 'reality' otherwise. Symbols are of many kinds, such as mathematical, musical, and so on, but the chief mind symbols are words. Furthermore, from its inherent nature, the mind is obliged to deal with words in special ways, of which two are important.

If it is desired to investigate any complex thing, the mind resorts to the process of analysis, which, as the word denotes, is a breaking down into simpler elements, and is basic to the comparison of things by reason.

It is comparable to a botanist who pulls a flower to pieces, leaf by leaf, petal by petal, and so disintegrates the homogeneous living structure into separate components. Not only has the flower been killed, but the parts only become separate by a process of mental deceit or convention whereby we deem stamen separate and distinct from pistil, petal, stalk, leaf, and so on.

It is not of course wrong to separate, name, and compare these parts. The mind cannot deal with them otherwise. But what is wrong, and productive of disaster, is to think that a flower is a conglomeration of such parts put together by a Super-Botanist. There is, unfortunately, no limit to this pulling down process, and indeed much of botany is devoted to it, but it is dangerous because we have created a fictitious mental picture in the hope of finding truth.

Mental analysis, while necessary and useful, is liable to lead to deceit and error. It takes the phenomena of life and experience and isolates artificial components which it then clothes in a simulacrum of reality. But this procedure is only permissible when the limitations of the mental mechanism and the purpose of the analysis are simultaneously in view.

The erroneous use of the analytic method is therefore a potent source of error in dealing with the complex affairs of human society; but a greater source of error lies in another method which the mind employs when it attempts to simplify its operations by the use of various synthetic devices.

Words, in their simplest forms, are the symbols for material things known directly through the senses. Then they are symbols for things non-material, but which are known in experience. Here, however, the qualities are introduced, and there thus develop series of words which are symbols of abstract things. In this process we abstract a quality, as it were, from the whole flux of experience, and so we are removed another stage from 'reality.' These abstractions, being themselves phenomenal, are again seized upon and worked up further by the mind to create words denoting classes of things, types, and so on.

This procedure, which men use so frequently and with so little awareness in all their relationships, is necessary if we wish to deal mentally with a large number of phenomena. By this technique we lump things together and label them by designations which are in effect a kind of synthesis or mental shorthand, and generally constitute an important part of all verbal communication.

The technical process of lifting out certain aspects or attributes from the gamut of conscious experience and labelling them with words is a variety of Abstractionism,\* of which a useful example is the following.

If a boy habitually eats anything and everything in sight, buys sweetmeats, consumes quantities of soft drinks and ice-cream, and will not part with anything eatable, we say he is *greedy*. If now he fails to put on weight and grow like other boys, and in fact gets thinner, his mother probably exhorts him to stop eating sweets and plies him with what she believes to be more nourishing food. If

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\* i.e. the system of abstraction. 193.

the boy refuses this, the mother says he is *pernickety*. He may then become averse to playing with other children and may not attend to his lessons. Thus he is *morose* and *lazy*. The teacher then tells his father that the boy is not working, and the father replies that discipline is needed, which will then be applied to the gluteal region.

Now the statement that the boy is greedy is a conventional label for certain phenomena which we abstract from the whole vast range of living manifestations of the boy, and which are painful and disagreeable to the parents. Observing his conduct, they abstract certain events into a series of categories, and thus the boy is labelled greedy, pernickety, morose, lazy and so on.

In all this it will be noted that the parents have not tried to discover the causal nexus linking the phenomena observed in their son; and having created the various labels they are usually content to do nothing more. But if the boy's conduct finally calls for action, they begin by exhorting him to stop eating sweets, to go out and play, to attend to lessons, and so on. If this should prove ineffective, they then resort to discipline, even though, as is well known, this is more painful to the father.

In thus acting the parents show that they have in effect constructed a framework of reference or a philosophy *which implies that the abstract qualities named determine the boy's conduct, and that by opposing them with the opposite principles, all ought to be well*. This philosophy constitutes, as we shall see, one of the great myths which paralyse men's efforts to cope with their problems, and a recognition of it is vital to the understanding of our present society.

It will be clear that the process of Abstractionism is one of the commonest mental devices. Thus, when the mind has to deal with a variety of phenomena it groups them for convenience into classes, which is classification. The names of diseases, of species of animals, of the seven mortal sins, are abstract classifications. By yet another abstractionist technique we talk of the Church, the University, the City, the Proletariat, and so on.\*

Probably the most dangerous abstract process consists in personification, whereby the gamut of thinking, feeling, and willing is

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\* This common device does not appear to have a verbal designation. Might it not be called "Collectionism"?

attributed to inanimate objects or even to mental concepts. Thus, We say England speaks, the Church anathematizes, London is prosperous, Britain can take it, and the like.

Now this is not to condemn abstractionism "per se" The great triumphs of science are clearly due to its employment, without which device men would be unable to deal mentally with complex phenomena. But when abstractionism is employed on the basis of insufficiently observed or incorrectly correlated phenomena, or, worse still, on no real basis whatever, the final result is disastrous.

In these ways of using the mental mechanism, whether correct or faulty, experience becomes translated into a series of abstract pictures, which are either disintegrated for purposes of comparison, or re-united into artificial groups for purposes of mental manipulation. In either case the unity of life and experience is destroyed, and phenomena essentially homogeneous are torn apart. This is separateness, and if and when this separative tendency proceeds too far or is too intense, the individual finds himself in one of two categories. Either he is attracted to others who share his conclusions, i.e. who have common categories and labels, or the reverse. The ultimate result in either case is friction, difference, dispute, and finally combat. This is combativeness, which with separateness, is characteristic of the mind in action,

The mental operations of Classification and Personification are therefore not necessarily erroneous. They are probably inevitable when using words at all, and have a validity so long as we use them with understanding, and check the results against common sense, which is the criterion of 'reality'; but otherwise they are disastrous devices and lead to deceit and delusion.

Words are merely specialised types of thought, which itself is the reflection in mind of the things, as it were, in 'reality.' The simplest words are symbols recalling 'reality' already experienced and to name things is hence to remove them two stages from 'reality.' Not only do we then tend to mistake the names of the things for the things themselves, but the mind juggles with these names to create more complex abstractions, which are a third stage removal from 'reality.'

The business of the mental mechanism is to think, which is the linking of perceptions, of phenomena perceived. But words themselves, whether simple names or abstractions, are also phenomenal,



and these the mind is able in turn to utilise in the process of reasoning. It is a common error to suppose that this process of itself is valid and that the conclusions have thus a bearing on 'reality'; but when the mind is allowed to go off on its own accord in such a process its conclusions are usually absurd—merely imaginations and fantasies.

Thus it happens that men create a huge structure of thought which, though rooted in 'reality,' has been built into a veritable skyscraper of illusion. Indeed, those who dwell on its top floors have forgotten that the earth exists at all. It is moreover a mental Tower of Babel, for those top floor inhabitants all speak different languages, and do not understand one another. This inevitably keeps them apart (separativeness), although all have identical needs and wants, feelings and desires; and in the end this mutual misunderstanding leads to complete disorder and strife (combativeness).

This is no caprice of imagination. It is at the basis of much strife and all recent wars. Once it is understood, and this is not difficult when attention has been called to it, the reader will observe the grotesque and baneful effects in every domain of life. Modern journalism and much literature are vitiated by these errors. Religion in Europe and America has been emasculated and nearly exterminated, and the absurdities of government made possible, chiefly through them.

People create categories and clothe in personality all kinds of experiences, and then proceed to deal with these thoughts about other thoughts about the reflections of things, without realising that such processes are generally invalid.

Thus by the wrong understanding of the mental mechanism and its 'objectives' they immerse themselves in a smoke screen of illusion and pretence. The false conclusions arrived at by these vitiated processes of reasoning may be conveniently termed 'myths.' They constitute in any event superstition, i.e. "irrational belief, belief in what is absurd, excessive reverence for the religion of the mind."

The word 'myth' signifies a fictitious or imaginary event or thing, but it would be a mistake to believe on that account that the 'myths' of the mental mechanism are of no consequence. On the contrary, the mythopoeic faculty is the most destructive one, possessed by man, and its significance cannot be overstated.

It is the tragi-comedy of human nature that men cannot readily see their own faults or only see them in others. Men, in the world of mind, are like cuckolds. They discover the truth about themselves last, and this is notably the case with prejudice and superstition, the twin curses of humanity.

The first danger of 'myth' lies in the fact that men do not recognise its existence in them. They are ignorant of it, and hence ignore it. The second danger of 'myth,' and the source of its power, lies in the nature of the human personality. Whatever structures the mind creates, whatever concepts or pictures are arrived at, and however mythical and removed from 'reality,' *the personality has no choice but to accept them and act upon them.*

If we are to put social science on a sound foundation, we must understand the 'myth' making faculty of the human mind, for only thereby can we understand how men react to the pressure of environment. The servitude of humanity is always self-generated by the creation of illusions and misconceptions in all realms of action. Tyranny in the last resort is mind-begotten. Men are thus not held in bondage to a cabal of financiers or even to their mechanisms. They are enthralled by their ignorance as to the nature and rôle of their minds.

The whole of human society shows the power and significance of 'myth,' and its horrifying hold over men is an ever present danger. We shall see that its operations were incarnated in Bolshevik Russia and its apotheosis was in Nazi Germany. The power of the money mechanism is vested solely in it, and heresy and persecution pay it homage.

The mythopoeic faculty is infernal in its power to enslave men, who are willing to endure any sacrifice or to die at its behests. From it spring the worst fanaticisms, the most blighting superstitions, incredible cruelties and wild absurdities and if men hope to understand their own world and to purge it of the pandemic of war and the foolishness of governments, the first point of attack is 'myth.'

# *Chapter Eleven*

## THE SERVITUDE TO MYTH

Having seen the origin of 'myth,' it now becomes necessary to observe its incidence and effects. Illusion pervades all realms of man's mental activity, but it is in his corporate relations that the power and prevalence of 'myth' are greatest. In the normal state of society religion would be the supreme mechanism, but in the prevailing corrupt order the throne of power has been usurped by finance.

Now the debt system is in all respects contrary to the desires and aspirations of human nature and thus the financial power is bound to defend itself against assault. Its defence is achieved to some extent by the use or threat of force, but in the final analysis the existence of the system is only possible by the perpetuation of 'myth,' which paralyses action and generates servitude.

The proximate 'myth' which sanctions the present social order is therefore that which sustains the money system itself, and this has been already exposed. We see how a false financial philosophy permeates the fabric of society. We see how it is daily and hourly expounded by every artifice of publicity, how it is acted upon by the leaders of the State, and everywhere accepted as 'reality.'

Whereas we know that there is hardly a view held about the money system which is not the inversion of the truth. Financial credit, the banker's substitute, is 'negative money,' left-handed book entries whose only reality lies in our delusions about them. It is fictitious and the technical devices of debt, 'usury,' and taxation, which sustain it, are also conceived in a manner entirely fictitious.

Yet the existence of these illusions would not in itself suffice to maintain the sovereignty of finance indefinitely, because through true religion and education and the daily affairs of life, men would in the end unveil the truth. So other devices must be used to camouflage 'reality,' and for this purpose the money power, as we shall see, has perverted religion and education to its own ends. This does not necessarily mean that any individual directs or intends this perversion; nor does it mean that teachers and clergy are consciously taking part in it, yet it certainly exists.

Religion is peculiarly susceptible to 'myth,' but of all the great faiths that of Christianity has been the most perverted, for which reason the source and centre of the world disorders is to be found in the nominally Christian countries.

The destruction of Christianity as a religion was consummated in the reign of Constantine I., miscalled the Great. This emperor, who prudently resisted baptism until on his death bed, embodied the totally un-Christian spirit of absolute authority in both Church and State, and was one of the worst instruments of that financial tyranny which marked the end of Roman imperialism.

It is surely not without significance that he caused the coinage to be minted with the impress of the Christian monogram. The church, in short, and in return for certain considerations, foremost among which were notable financial privileges, sold out to the State, to which it has been hypothecated ever since. It is further significant that this miscreant emperor presided over the Council of Nicaea in 325, thus helping to shackle the church with a formulated creed.

Realistic Christianity has little or nothing to do with mental formulae, doctrines, theologies, credal tests or definitions, which are but the top floor furniture of 'myth' religion and belong to its peripheral-intellectual aspect. The interior religion of knowledge is central-intuitive, and therefore does not depend upon theories, or cosmologies, or on revealed scriptures or infallible churches. The difference between true and 'myth' religion is that between 'knowledge' and belief; between knowing a thing and knowing about a thing. And reason is always insufficient for the discovery of spiritual truth, which is a realisation in experience, and is a 'knowing.'

The bloody and terrible history of the Christian church is a sufficient proof of its real character. Its endless disputes and persecutions have nothing to do with true religion or the teachings or person of Jesus. They are the products of 'myth,' and it is not an accident that in Europe, where the greatest religious intolerance, quarrelling and bloodshed have always abounded, the greatest political intolerance, quarrelling and bloodshed still abound.

The significance of this false religion has indeed an important bearing on the present state of Europe. 'Realistic' religion destroys illusion, and nothing is more practical; but 'myth' religion puts men's heads in the clouds and makes them other worldly. By its refusal to recognise 'reality' official Christianity has rightly been called "the opium of the people," and in consequence its social power has vanished.

It should be noted, however, that 'myth' is not restricted to the Christian faith, but is found wherever individuals have failed to transcend the limitations of the intellectual mind. It is thus an essential of the so-called modern religions and especially of spiritualism and Christian Science, the former being an effort to perpetuate the personality in the next world, the latter to perpetuate it in this. It is worth observing that both originate in that land of idealism—the U.S.A.

But the influence of 'myth' Christianity is not confined to the Church Militant. It created during its first thousand years a vast abstract system of ethics and philosophy which saturated the thought and learning of Europe. This system derived its sanctions not from the teachings of Christ, but from the Greeks; and thus there developed that Hellenic-deductive orientation which dominates education to the present day.

The mechanism of education is thus, with religion, the chief supporter of the various 'myths' on which the sovereignty of finance reposes. There are two, however, which call for special notice. First and foremost is the Myth of History, which will be dealt with more fully later. It operates by presenting to men's minds a picture which, while it may be factually impeccable, is nevertheless such as to imply or suggest views which are at variance with 'reality'; and its most disastrous results are exerted on the young.

From earliest youth this tendentious history inculcates such a mass of prejudice and superstition as to be almost ineradicable. It portrays trivial incidents and inconsequential events against a background of 'myth,' and omits to mention the only factors of any importance. It glorifies armed conflict, magnifies the brawls of barons into battles between nations, trumpets the supposed virtues of its own peoples and the faults of others, and thus creates concepts which are fatal to the cause of human unity and brotherhood.

Amongst the most subtle of these concepts is that which portrays the State as an entity over and against the people, acting in all respects like a person, and as being the absolute and final authority and the keeper of men's consciences. This latter conception we shall call the Myth of State. It is chiefly the result of personification, and is so pervasive that it is universally accepted as 'reality' and correspondingly acted upon.

This deadly illusion has plumbed the depths of absurdity so far as human relations are concerned; yet it is the raw material of the diplomat, the foundation of foreign policy and the lime and mortar of every cat-witted scheme for solving international problems, including war, the League of Nations, Federal Union, and, finally, the United Nations Organisation and the Atlantic Charter.

In order to get an insight into the Myth of State, let us consider the question as it touches England. There is clearly a geographical portion of the earth called England and as such it has 'reality.' There is also a political entity called England, but as such it has a lesser degree of 'reality.' It has, in fact, much less than, say, Wales, or Devon, or Dorset; but at least it has a degree of unity and function which give it hold on 'reality.' But there, so far as I see, we stop.

When we read, for example, that England agrees with America, or that England snubs Japan, what do we understand by these everyday expressions? The answer is, if we are realistic, just nothing. What it comes to is this. There are in 1935 some 40-odd million people in England, of whom 22 million are entitled to vote at a general election. Of these 22 million only about 70 per cent. trouble to vote at all. Of these voters, a high proportion, depending on the nature of the parties, are not finally represented by the candidate for whom they voted. To make matters worse, these

electors in any event did not even choose the candidates but merely selected one out of several, nominated no one knows how or by whom.

Out of some 600 men supposed by this buffoonery to represent the people, one individual is chosen to be foreign secretary. Why he is chosen, who chose him, are political mysteries. Hundreds of influences are all at work, of which none has any connection with, representative government. In due course he proceeds to the foreign office, where, by some piece of magic, he accomplishes a metamorphosis. So far as all foreigners are concerned, he is England. He represents her foreign policy, whatever that is (can a country as such have any policy?) and agrees to undertake in the course of his duties certain mediaeval relations with other foreigners in London who also represent foreign policy.

Now at last we are in a position to grasp what is meant when "England snubs Japan." This is a piece of mental hocus-pocus to describe the fact that the foreign secretary sent for the Japanese ambassador and told him that if another lance-corporal of the Buffs had his nose punched by a Japanese sailor in a Shanghai pub, the British government (his government, he would probably say) would take a grave view of the situation.

Now in all this complicated performance succinctly described as England snubbing Japan, we ask what relations, if any, existed between Japan and England. The real answer is—none. Japan and England, except in conventional terms of mutual ‘myth, cannot possibly have any relations. Certainly individual Japanese and Englishmen can have. It might even be possible to imagine that a Japanese and an English limited liability company had relations, but that is about all. The real connection of the English citizens to the Japanese in this whole musical comedy transaction is zero. At the time of the fateful punch probably some twenty nationals out of 150 millions knew anything about it. After the newspaper disclosure perhaps about five per cent. of this number heard about it with only transient interest.

Yet it is a mistake to suppose that the foreign secretary is performing merely diplomatic mumbo-jumbo. He has access to tremendous sanctions through the armed forces, and through legislation and trade, and may be a very powerful official. Wars have begun by just such a punch on the nose. He probably wears

an old school tie and was in the army. He may actually have been in the Buffs, but more likely the Guards, and that punch on the nose 8,000 miles away is real to him. It is an insult—to the regiment, to the nation, to the empire, to the King—by Asiatics, yellow men, political upstarts making trouble. One can see the links, the ties of blood, of party, of race, and the easy mental jump from stage to stage in a process fraught with danger to millions of plain folk.

These delusions hinge round the error of personification. England is an entity—a female, no less, helmeted and grasping the trident. She has every human attribute. She strikes her opponents low. She keeps the seas, supports justice, feels sad or elated, is defeated or victorious, and in fact suffers the whole gamut of human experience, even to parturition. Thus she has children, sons and daughters, and at least one wealthy cousin. This personification is so fixed that it becomes a reality and accepted by all kinds of people, high and low, educated or otherwise.

Here, for example, is a quotation from a leader in the "Glasgow Herald" of 26th March, 1941:

The end of Yugoslavia—it is natural to see in that phrase the best summing up of what happened yesterday in Vienna. Germany wishes to absorb Slovenia and possibly Dalmatia—the old Austrian provinces that are now Yugoslavia. Hungary looks eagerly for the return of her lost possessions north of the Danube, and would be glad to seize Croatia as well. Italy wants Dalmatia—if she can continue to keep Hitler's hands off it—and the Kossovo district west of Albania. Bulgaria covets Yugoslav Macedonia. Between her internal divisions and her greedy allies how can Yugoslavia hope to hold together now that she has placed herself in the hands of the Axis?

How sensible and reasonable this description seems until we try to apprehend the reality behind it. The countries named cover a vast area of Europe and embrace millions of people, most of whom are humble folks, mainly peasants, whose sole interests are in their lands and homes. How fatally easy to use these facile labels without due realisation of their significance. The words Italy, Germany, Hungary and the rest have no meaning apart from the existence of their respective inhabitants; yet by reason of 'myth' diplomacy they will be swept into the maelstrom of war at the bidding of a few men who manipulate the power of the State.

How glibly these futile personifications roll off the tongue! England will do this, Italy that, and so on. And how potent are



the 'myths' which the mind presents to us! Let a man but believe in the reality of this female England and that she has been insulted, and he will retaliate at once on "Italy," or "The Russian Bear," or will "let those niggers have it." Then in reply eight million bayonets leap from Fascist scabbards, steam is raised on the famous Russian roller, or the negro sharpens his Birmingham axe!

It is certainly true that there are congeries of people clearly delimited politically and geographically and able to act corporately to some extent. There are nations and nationhoods which play and shall increasingly play their parts on the world's stage; but they must be real actors, and not puppets pulled by financial and political wires, if men wish to fulfil their destiny.

The present concepts of the State frustrate men and are false to them, yet they are unthinkingly accepted by almost everybody. The phrase "England snubs Japan" is no fantasy. It appeared some 15 years ago as a bill heading of a popular newspaper, and it is doubtful if one reader perceived its absurdity, which is not surprising when the same concepts are made use of regularly by the highest officers of the realm and are clothed in the garments of reality by every device of publicity.

We have observed how 'myth' permeates religion and education to create a vast structure of concepts, which form the framework of reference by which men guide their actions. It might be thought that 'myth' would be limited to the conceptual world, but it also invades the realm of action.

When men act, they deal, in effect, with the phenomena of society. As we shall see, there are two main modes of approach to events. One is by the method of science, which, broadly speaking, works upwards to the general axioms from particulars. The other is by the reverse process, working downwards from generals. In the latter, it is assumed that events are due to the operation of certain arbitrary principles. The delusion that principles so attained determine events constitutes the Myth of Action, and in the domain of human society this calamitous error has vitiated progress and palsied the best intentions.

We shall deal more fully with this illusion shortly, but meantime point out some of its common variants. One potent manifestation is the Utopia or Blue Print Myth. The subject of this delusion is a doctrinaire who is convinced that he knows exactly what to do with society. Trotsky, Lenin, Mussolini and Hitler suffered from

it. Centralised bankers are its most dangerous though not its most obvious supporters. Communists, Socialists, Salvationists and Fabians all belong to this category, as do also teetotallers, vegetarians, eugenists, and the whole glorious company of cranks, who are one and all deluded by reasoning themselves stage by stage into the top floor of absurdity.

Another is the Myth of Union, which is again rising in popularity. A mental basis of this delusion is the idea that union is always and for its own sake desirable. It is seen in a peculiar and incurable form in the Church of Rome, while it afflicts other branches of the church militant in epidemic spasms. It occupies the political mind (if one can possibly contemplate such a farrago of unreality) of the day, as witness the famous offer of union of the "democracies" of France and Britain, and the mysterious suggestions of union with the U.S.A., or some hotchpotch of Europeans. Another basis of the Myth of Union lies in the idea that if the problem is only big enough, no one will be able to see it; or at the worst, if somebody should get far enough back to see it, the originator will either be dead or, if an Englishman, translated to the peerage.

In order to understand the workings of the mind in those who are the victims of 'myth,' we shall do well to look into the nature of a well-known mental derangement called paranoia, otherwise chronic delusional insanity.

The sufferer may possess intellectual powers of an enviable order, his personality may be charming and his manners impeccable, but he is all the time dominated by a hidden megacentre of delusion.

The symptoms of paranoia in Dr. Maurice Craig's "Psychological Medicine," 3rd Ed., p. 146 et seq., are stated thus:—

Ideas of persecution begin to formulate. He becomes increasingly suspicious. The movements of others are clothed with some hidden meaning. His judgment on some points is so biased that he will in explanation prefer the far-fetched to the obvious, if only it supports his beliefs . . . . He will concoct extraordinary theories, and describe in detail the complicated apparatus by which these deeds of villainy are clone, and he does not hesitate to ascribe to his persecutors almost superhuman powers of invention. All his thoughts and energies are directed towards collecting evidence in support of his beliefs. Religious sects, such as the Jesuits and Roman Catholics, are frequently suspected; Freemasons or the Government . . . are denounced as the originators of the annoyance. Outbursts of excitement are not uncommon . . . . The patient with delusional insanity is, as a general rule, perfectly capable of advising

others and often for a long time the reasoning power is quite good for subjects which do not affect him. It should never be forgotten that it is the sufferer from chronic delusional insanity who, above all others, is likely to commit acts of violence. He is cunning and scheming, capable of devising a plan and choosing the best moment for its effective execution . . . . Individuals in this state are constantly interfering with society.

The paranoiac is the most dangerous and subtle of madmen. He may never confide to a living soul the true nature of his delusions; but they go on year after year, growing in complexity and intensity, until they are organised in his mind into a vast system which removes him farther and farther from 'reality.'

Now lunacy has no existence except as a convenient abstraction. Its manifestations are but the normal phenomena of human conduct with undue emphasis on certain aspects, and hence the victim of paranoia is an individual whose mind has removed him farther from 'reality' than the average.

The tragedy of Europe is that of paranoia. Its political and national leaders are certainly under the sway of 'myth,' and are the unwitting time-servers of delusion.

We see this clearly in the events of the 1917-1918 Russian revolution. Its instigators were men who had suffered life-long persecution and ill-treatment under a corrupt regime of unbelievable barbarity. Committed to the theories of Marx, they had for years systematised their delusions about society until in the end they burst out in homicidal frenzy to destroy the class tyrant of their dreams.

Mussolini made Italy into a madhouse of 'myths' about ancient Rome. Hitler revived the Teutonic 'myth ' and inspired a starving and dispirited people with an ethnology which was pure illusion. The English speaking races were so enslaved by the Money Myth and by false-history and education in general that they could not even see the convulsions which were rending the world.

As a consequence of these delusions the social edifice has become a madhouse of mutual destruction and two thousand million people are once more preparing to fall upon one another with a ferocity unexampled in history.

To live in complete 'reality' is a satisfaction known only to the saints. For the rest of us, life is swayed to a greater or lesser degree by 'myth.' Freedom in the last resort is liberation from the thrall

of delusion, and it should be one of the objects of society to help men thus to free themselves.

The present society, on the contrary, created as it is by the false conceptions of men, represents an inversion wherein humanity has placed itself in complete servitude. To destroy this tyranny is a necessity; but if men do not choose the correct method soon, they may find themselves unable to throw off their self-imposed yoke for centuries to come.

# *Chapter Twelve*

## THE MYTH OF ACTION

Before we can hope to deal with the realities of the present situation the ground must be cleared by describing two other 'myths' to which allusion has been made. One is the Myth of Action and the other the Myth of History, and both play a notable part in locking men's minds against new views. The Myth of Action will require careful description since it is not at all obvious and its importance is of the highest.

Let us revert to the analogy of The Greedy Boy (page 193). We saw how this unfortunate youth came to be labelled greedy and how he was described as pernickety, as lazy, as morose or bad tempered. We noted how he would not put on weight, would not learn his lessons and so on.

The boy's conduct therefore impinges on the parents and, since consciousness is so largely focussed in the mind, they feel under the necessity of "explaining" the situation. Here is a boy who has in fact become a sore trial and his conduct calls for attention. Their mental response to the series of events is the abstractions already named. These particular abstractions are removed completely from 'reality,' yet on them the parents finally take action. Although they do not realise it, they have adopted a special approach to the problem of the boy. In other words, they have developed what amounts to a philosophy, which assumes that the boy's conduct is directed by a number of abstractions and principles. The basic abstraction is greediness. The philosophy behind this holds that the boy has a mental concept or principle of greediness which, centred in and proceeding from the mind, regulates his conduct

accordingly. Then he develops the moroseness, laziness, and so on, which are regarded as other mental concepts also being worked out in conduct.

It is significant of this approach that effective action on the part of the parents is at first paralysed by the mere act of isolating the abstractions. They do not realise that they are only naming artificial categories of behaviour. But if the boy's conduct should call for action, since the parents now regard him as greedy, lazy, and so on, they try to correct this by applying the mental opposites; so they admonish the boy to be unselfish or not greedy, and to work and not to be lazy; and if this fails they resort to discipline, which means the deliberate production of pain in the hope that this powerful stimulus will suffice to antidote the naughtiness by fixing on the mind the attitude of not-naughtiness.

Now there is another mode of approach which begins at the opposite end. It does not cursorily abstract principles and regard them as working downwards in conduct, but begins by a close, careful scrutiny of the phenomena observed in the boy. This is the 'realistic' approach, which is the approach of science. The truth is, although I have discreetly hidden it, that the boy has been for some time the victim of diabetes, but since his parents' philosophy was faultily abstractionist, it did not occur to them to investigate the causal nexus linking the sequence of events.

Note that the word "cause" has not been used in respect of these phenomena. Biologically, however, the sequence is now fairly well known. Starting at an arbitrary point for convenience, we say that the boy's pancreas began to fail and could not adequately deal with the starches and sugars in the diet. The blood then became overloaded with sugar, which led to its excretion in solution, as a result of which the boy's body called for sweet things and fluid. This led to decline in weight, and, as the body became poisoned, the temperament altered. Later, the mind became clouded, memory weakened, and general hebetude set in. When once, therefore, this causal nexus is grasped and the appropriate action taken, the sugar in the blood returns to normal and so does the boy's temperament.

This analogy has been chosen to make clear the difference between two modes of approach to a phenomenal sequence, and a correct perception on the part of the reader of this subtle but

profound difference is necessary if the present thesis is to be understood.

Indeed, the importance of this understanding cannot be over-estimated because human life consists in successive approaches to phenomenal sequences. At this point the reader is again reminded that this is not an exposition of an abstract philosophy, but an effort to deal with the practical affairs of society.

As Bacon persistently pointed out, there are two modes of approach in dealing with these affairs, or in fact any kind of events. Here is the matter in Bacon's own words ("Novum Organum," Para. 19 and Para. 22):—

There are and can exist but two ways of investigating and discovering truth. The one hurries on rapidly from the senses and particulars to the most general axioms, and from them, as principles and their supposed indisputable truth, derives and discovers the intermediate axioms. This is the way now in use. The other constructs its axioms from the senses and particulars by ascending continually and gradually, till it finally arrives at the most general axioms, which is the true but unattempted way.

Each of these two ways begins from the senses and particulars, and ends in the greatest generalities. *But they are immeasurably different*; for the one merely touches cursorily the limits of experiment and particulars, whilst the other runs duly and regularly through them—the one from the very outset lays down some abstract and useless generalities, the other gradually rises to those principles which are really the most common in nature.

It will be observed, therefore, that the distinction between the two is not one of radically *opposite methods*, but a subtle difference in technique. In both methods the mind ascends from "particulars" to "generals" and then descends the reverse way; but there is a difference in *stress*.

In the Baconian way the emphasis is on the "particulars," from which, by the most careful and painstaking observations, there are derived certain "generals," "principles" or "axioms." In so far as these are correctly arrived at, their application will then be productive of positive results. This way I shall regard as "from below upwards" (i.e. ascending) or the "Baconian-Inductive" way which is essentially that of physical science.

In the other, the older way, there is a rapid cursory inspection of events, or, in many cases nothing more than a trivial mental speculation about events, often based on a false verbal framework, but also ending in a general proposition or principle. *Such a super-*

*ficially attained proposition I propose to designate as a cursory or Hellenic-Deductive principle or pseudoprinciple\** since, unfortunately, no convenient term for it exists. And the method of its attainment I shall call "Hellenic-Deductive" or "from above downwards" (i.e. descending). By this false method the true relationships of a phenomenal sequence are never discovered save by pure chance, and hence no positive results are possible.

Readers, and especially those who have not had a scientific training, may have difficulty in grasping the precise difference between a correct principle, or "axiom," as Bacon called it, and the Cursory or Pseudoprinciple; and as the distinction is vital to what follows, I shall try to elaborate it.

A correct principle is arrived at by the careful observation of the phenomena under investigation, after which the observer endeavours within a suitable verbal framework to correlate the phenomena under some general proposition or hypothesis. This is in effect a provisional explanation *whose validity is proved or disproved by reference to the facts*. In other words, a genuine scientific principle has an operational test. Now in the Cursory or Pseudoprinciple there is no operational test, no proof from the facts. Instead, the mind is employed in a loose or faulty manner, and by mental processes not fully relevant to the facts, comes to the supposed principles.

In these processes there are two cardinal faults. The first consists in an insufficiency of observations together with failure to provide operational proof. A classical example was the Phlogiston Theory, by which a quite imaginary substance or "principle" was supposed to exist in all combustible bodies and to be liberated by the process of combustion. It was called, in fact, "The Principle of Inflammability"! But when it was subjected to operational tests the theory broke down and the mysterious Principle of Inflammability vanished, to be replaced by commonplace oxygen. The second and greater fault, which will concern us intimately in our sociological studies, is the use of faulty verbal symbols. The reader who wishes to pursue the matter is referred to "The Meaning of Meaning" and especially to the Ogden and Richards triangle in Chapter 1. Putting the matter as simply as possible, we begin by

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\* With apologies for this miscegenation.



noting that the "once universal theory of direct meaning relations between words and things is the source of almost all the difficulties which thought encounters" (p. 12).

In semantic terminology the thing is the "referent." This is then linked up with the thought or "reference," and this in turn is symbolised by the word, or, as it is commonly put, the "name" of the thing. Now the word or symbol is not the thing; and if we wish to think effectively we must use words with the referents clearly in mind. It is an absolute essential of scientific thinking that we not only have discoverable referents in the real world, but we must also have mutually acceptable ones. Mechanics, for example, would never have existed if there were not clear and acceptable referents for "force," "inertia," "acceleration," "momentum," and so on.

The tragedy of faulty referents, which so contaminate our social science, lies in this. Although their (word) symbols have no ascertainable or accepted meanings, the mind is not thereby precluded from subjecting the words to the processes of reasoning, but the conclusions thus reached have no validity and are unsusceptible to any operational test. They are, in short, Pseudoprinciples. A little thought will convince the reader that many of the important words in economics, finance/politics, and banking, are useless as symbols. What are the referents, for example, for "capitalism," "value," "unemployment," "free competition," "profit," "money," "debt," "owner," "bourgeoisie," and so on? I contend that when words of this order are used to derive conclusions or general principles, the propositions so attained, being incapable of operational test, are valueless for control or understanding of the phenomena under consideration.

Consider the Greedy Boy, who was also lazy. Where are the referents? What is laziness? Is there any operational test of its validity? Has it any existence at all? What is meant is that this particular boy was below normal in his response to certain common stimuli, because his disordered physiological machinery inevitably determined such a response. To imagine that there was a Principle of Laziness in the boy is on a par with the old-time chemist's imaginings of a Principle of Inflammability!

Now to return to the Hellenic-Deductive and Baconian-Inductive methods, I am not, of course, describing anything which is not already well known; but this knowledge, unfortunately, is confined

to a tiny minority of practising scientists and philosophers, whereas it should and must be the possession of all who hope to think clearly about our social problems.

For our purpose it now becomes necessary to devise a terminology to describe the "ascending" and "descending" modes of approach. While one is frequently described as the inductive and the other the deductive method, these words are by themselves unsatisfactory, partly because they merely describe a logical process, but chiefly because both methods come into play in either the "ascending" or "descending" approach to events.

It is significant of the prevailing tendency that there are no precise words to describe them. The very core of science is the Baconian-Inductive method, which is a logical technique. It is a method, so to say, *interior* to the scientist. But the word science has come to refer rather to the methods *external* to the scientist, i.e. to his laboratory methods and to his laws, hypotheses, and so on. Yet one can be instructed and competent in the externals without in the least understanding or correctly using that specific logical process by which alone 'reality' is attained.

Students of science are seldom, if ever, instructed in the nature of the logical method which forms its ineluctable basis; nor are they instructed in the true end or limitations of this method. To be sure, they are taught accurate observation and laboratory procedures and know the principles of their subject; but how many understand the thought mechanism involved?

Now neither science nor any organised knowledge is an end in itself. The prime function of scientific knowledge is to give control over events, and I believe that this can only be achieved by a rigorous, conscious and correct use of the Baconian-Inductive method, and that a specific nomenclature is therefore required to describe it. Such a nomenclature will be useful in the following pages, because it will be contended that a failure to use the correct scientific method is current in, and vitiates the general attitude to, our sociological problems.

It should be said that Major C. H. Douglas and his followers have employed the terms "realistic" and "idealistic" to describe the "ascending" and "descending" modes respectively, and at other times "Baconian" and "Aristotelian." Unfortunately, "realism," and "idealism," especially the latter, have a great variety of meanings, and

so, after some trepidation, I have ventured on the following words. Based on the Latin root I suggest that the logical system of science (i.e. its internal method as opposed to the *external methods* of science) be called "scientism" and that the adjective be "scientific" (an obsolete word given in the O.E.D. as meaning scientific), and the adverb "scientifically." And since scientism is the specific method by which men advance towards 'reality' I shall also use synonymously 'realism,' 'realistic,' 'realistically' (in single quotes).

To designate the Hellenic-Deductive or false method is not so easy. It is not a precise system at all but merely a variety of ineffective ways of viewing events: the most subtle, since it simulates the scientific method closely, being a correct system of reasoning but based on faulty referents. It is in effect simply "non-science" and might therefore be called "nescientism" (hence "nescientist," "nescientic," etc.); or, alternatively, in single quotes, 'unrealism' ('unrealistic,' etc.).

When events are approached by the nescientic or 'unrealistic' method, therefore, they are reviewed in a cursory manner so that the mind constructs a series of ill-founded and generally unverifiable abstractions about them. These abstractions or Pseudoprinciples are then supposed to account for the events originally observed; or, putting it another way, the original phenomena are deemed to be the consequence of the operation of these Pseudoprinciples.

There are endless variations of this fatuous method. It is least harmful when an attempt at effective observation and recognisable referents has been made, but quite absurd if the observer replaces an observation by his own fancies. A good example of this has been given in the problem of the Greedy Boy.

It should now be clear that the Pseudoprinciple, which is the outcome of the nescientic method, however similar superficially, is radically and vitally different from the principle or hypothesis obtained scientifically. The importance of the distinction lies in this—that men cannot either understand events or obtain directive control over them except by the scientific method. *The belief that events are the result of, or can be effectively controlled by (i.e. that action results from), the operation of Pseudoprinciples constitutes the Myth of Action.*

In approaching phenomena scientifically the mind is used in a totally different manner. Instead of trying to abstract some imagined principles, the phenomena are carefully observed with a view to elucidating the relationships between them. These relationships, which are the basis of rationality, constitute the causal nexus of events, and are the inherent consequence of the rule of natural law. At this stage academic philosophers are likely to lose patience, realising that all this has been said before, and said better, and that in any case there are certain difficulties about rationality, about the nature of time, of ideas, and a thousand other intricacies of peripheral philosophy. I reply that this is not an effort to "explain" things, but a description of a way of dealing with the phenomena of life and society.

In the analogy of the diabetic boy the nescientic approach paralyses action, which is what matters to us. Mind the 'myth' maker constructed a series of abstractions wherein the phenomena of the living organism had no place. Instead, certain mental concepts were imagined, which in some quite arbitrary way, and by an unknown process, worked themselves downwards into the realm of physiological and psychological action. This is an example of the Myth of Action which holds that events are determined by Pseudoprinciples.

The scientific approach, on the other hand, scrutinised the phenomena shown by the boy. It linked them together and thus laid bare the whole sequence of events. Having done this, we could then say whether the sequence was susceptible to modification, and so we obtain whatever control is possible over it.

We have said that the scientific orientation to events is essentially Baconian and, the nescientic is Hellenic. Since these represent, broadly speaking, the scientific and the classical approach respectively, it is sometimes assumed that they are the counterpart of the modern and the classical in education. But we shall see that this is not so, because all education in Britain is essentially classical.

It is true that the actual amount of Latin and Greek taught has declined in the past fifty years, and that the teaching of scientific subjects has increased, but the classical orientation is vital to, the maintenance of the present financial oligarchy and it cunningly persists in spite of appearances to the contrary. It is not possible

to define the classical outlook, but we can describe it and observe its trend and direction. It is the outlook which characterised Thomas Aquinas and the Schoolmen, whose way of looking at things permeates the entire western Christian church to this very day. It was this trend of thought which prevented the growth and impeded the development of science and which anathematised Galileo, Roger Bacon and other pioneers of the experimental method.

It was on account of it that the mediaeval church authorities held to the geocentric conception of the solar system and in a later century decried the use of anaesthesia in childbirth. It is worthy noting that the ecclesiastical opposition to anaesthesia was based on the idea or "principle" that God meant women to experience pain at childbirth. This conception derived from yet another "principle" of the "fall" of man. This sample of reasoning from generals to particulars is the "descending" technique at its worst and the absurdity of the above conclusion is of a piece with most such conclusions.

This orientation to events, while it has been abandoned in the domain of natural science, has never been abandoned in many other realms of experience; though it should be remembered that a scientist may regularly adopt a 'realistic' attitude to his scientific problems, but look on other problems 'unrealistically.' Yet if men are to exert control over phenomena, the approach must be 'realistic.' We can abstract, classify and define principles, as may be necessary; but if we desire to understand the relationships between phenomena with the ultimate aim of dealing with these events, we must observe from below 'realistically.' All phenomena obey laws and man's advance in 'reality' consists in the discovery of these laws. In this consists the triumphs of science, which could never have existed so long as the approach was Hellenic-Deductive.

The significance of these matters to our present study is great. Religion as a social mechanism in Europe and U.S.A. means for practical purposes the organised Christian church. This organisation in its various branches is rooted in the classical-deductive tradition. In Britain, our oligarchy also is composed of men steeped in the classical tradition and outlook. Quoting "Tory M.P.," we find that in 1905 there were 144 out of 386 Conservative M.P.'s (i.e. 37 per cent.) who were educated at Eton or Harrow. In 1928 the percentage was 31; and in 1938 there were 125 representing 30 per

cent. It is interesting to note that of these 125, Eton had at least 101 and Harrow only 24. The author points out that 0.1 per cent. of boys go to Eton and Harrow but 30 per cent. of the Tory M.P.'s were educated there. Most of the other Tory M.P.'s were educated (in expensive schools on the same pattern as Eton.

This means that 30 per cent, of the governing faction in the then House of Commons were educated at Eton or Harrow. Mr. Montagu (now Baron) Norman is an old Etonian. Is it remarkable that these schools are each run by boards of governors of 10 men and on both boards there are directors of the Bank of England and of the Big Five banks, together with present or past cabinet ministers? We may take it that these schools are important parts of the oligarchic system in England. All such schools purvey a classical education, complete with the high-level abstractions at one end and the bottom beating discipline at the other.

A perfect specimen of this orientation is a Hellenic-Deductive gem (quoted from "Tory M.P.") from the pen of Mr. Maurice R. Hely-Hutchison, M.P., who was educated at Eton. Having duly observed the social phenomena of the times, this politician ventured on a book. He is a banker, and thus qualified to dilate on capitalism, but he is evidently not qualified to deal with the causal nexus of events, for he asks: "Can it be that the industrial Cycle, with its alternations of prosperity and depression, with its booms and slumps . . . is quite simply the beating of a Transcendent Pulse?" Whatever truth may be in this recondite theory, we can safely state that it represents the abysmal nadir of impotency.

When 'unrealists' deal with social phenomena, they are generally satisfied merely to abstract Pseudoprinciples. If, however, more active treatment is required, more Pseudoprinciples are applied according to the 'Myth of Action.'

A political example of this is to regard the unemployed as "lazy" and to cut down their subsistence level so as to make them work. The observer does not attempt to elucidate the causal nexus at all, but reasons deductively from some ill-founded proposition. Thus — unemployment means no wages. Men need wages. Therefore unemployment is a curse to be cured. Therefore work must be found for everybody.

It must not be imagined that this nescientic tendency only exists in the products of the universities and expensive schools. It is

present at all levels of the community and not least amongst "Left" partisans. The source of men's slavery to circumstances lies firstly and all the time in 'myth.' It is the inevitable result of the wrong use of the mental mechanism whereby superstition and unreality are generated and action paralysed.

The Hellenic-Deductive method has directed political action and economic theory for hundreds of years. Consider the theory of capitalism. According to this view, society is governed by a group of men called the capitalist class. These men are supposed to have certain "principles" about ownership and profits, and the means of production. Their "policy" is to beat down wages; and they have banded themselves together to form monopolies and combines to defeat socialism and to set the government at defiance.

This conception is purely 'unrealistic' The victims of this illusion scrutinise the whole flux of society and mentally analyse it. Then they abstract certain Cursory Principles and believe or imagine that society as they see it results from the working out of these principles. This view, the socialist view, is thus Hellenic-Deductive.

Now the conception of capitalism as the basis for our society is 'myth' and has no contact with 'reality.' There are no capitalists who direct or control economic and industrial events according to "principles." How could they? Where do they meet? Who concocts the plans? Reality, simply shows a society exhibiting certain phenomena whose causal nexus is ascertainable.

Orthodox economists for the most part make the same errors as those who decipher capitalism. They imagine that the money system is run according to certain theories or Cursory Principles, and spend endless time chasing each other round in the peripheral field of finance. But once the central core is understood and the reactions of men perceived, events fall into orderly array and the entire phenomena of society become explicable. To suppose that men always act from the mind by reason of such abstract theories is not true; but when 'myth' possesses them they do act in this way, and with what disastrous results we shall see.

Legislative action is almost exclusively 'unrealistic' Let us see how British politicians approach a question such as the excessive number of road deaths. Parliament is expected to take action, but it has no time to deal with the matter except in a general way, and so powers are delegated to the Minister of Transport.

This Minister and his officials then confer over the problem and gather data, from which they eventually derive theories about accidents. They deduce that these occurrences are due to "excessive" speed, "bad" drivers, "defective" motor cars and "ignorant" pedestrians. Then on the basis of these theories they elaborate obvious counter measures. On the "bad" driver theory the remedy is plain. The government must create "good" drivers. But how is this marvel to be accomplished? Clearly, by the examination system. To achieve this requires an expensive army of clerks, teachers and examiners, not to mention forms, licences, signs, rules, regulations and booklets with jokes and comic strips. And when the victim has been successfully passed, can we say that a good driver is the result? We can only say that he was a good driver for the duration of the test.

On the theory of excessive speed, the situation is simple. A law is passed (probably by the Minister of Transport) which says that in certain areas the motorist must not go at more than 30 miles per hour. It does not matter that this law is palpably ridiculous in many circumstances. Powerful policemen in expensive cars see that it is observed, whereas the private motorist who might conceivably become a danger at 10 miles per hour passes unnoticed. As for the "ignorant" pedestrian, he is made the subject of propaganda by every means of publicity, creating more expense and more officials, with rules and regulations, the famous beacons, and other devices. The defective cars necessitate also rules and officials, examinations and tests.

When, at enormous expense, irritation and interference, these procedures have been tried out, what actually do we find? Do the road accidents decrease? In 1927 the total killed and injured in Britain was 153,904. In 1937, by which time the Minister of Transport was promoted to the War Office, it was 233,035. What lesson, we might enquire, have the originators of this legislation learned?

Now suppose we approach the question of road accidents 'realistically.' Here are the facts—the phenomena, in short. Motor cars weigh 2,000 pounds or more and are made to go 70-100 miles per hour and occupy a surface area of 65 square feet and upwards. Pedestrians weigh from 20-200 pounds and are made to go 2-4 miles per hour and occupy one square foot. Both use the



same roads. Motors not only use the same roads, but they go in different directions on the same roads and also cross each other's paths. To anyone who has not taken leave of his wits, it must be a matter of amazement, not that there are so many road accidents, but that there are so few. The source of accidents is as plain as possible. If cars are built to do high speeds and if their owners acquire them in the hope of attaining such speeds, then the accidents would disappear with the construction of proper roads. But, you may say, where has the money to come from? The intelligent reader will now be able to answer this question, but it will not be answered by a member of the financial oligarchy.

This homely illustration is an example of how 'unrealistic' legislation is made. It does not matter what the situation, it is cursorily examined, after which principles are derived about it, and finally some counter principles are applied. Such a technique of legislation has as much chance of achieving proper results as bottom caning at Eton has in building the new order.

Thus men have not only become slaves to the power of debt, but their whole social mechanism is seized up by nescientic interference at every part. The present "administrative lawlessness" is the inevitable result of nescientism. When the difficulties mount up in number and size, Pseudoprinciples mount up in greater number and size.

There is yet another source of erroneous action which results from misunderstanding of the phenomenal nexus. We have seen how mechanisms subserve their 'objective' whether the users realise it or otherwise, and we also saw that mechanisms multiply power and obscure responsibility. When we come to examine our social mechanisms we shall find that they have 'objectives' which are unrealised because they are obscured behind facades of myth. Yet good kindly men seeking for the most part to help one another, as is their natural bent (in spite of the theologians), are playing villainous and sinister parts through the serving of unknown 'objectives.' Herein is the reason why men in organised groups will do things which as individuals they would never do. We are enslaved by our minds, by our money, and by our mechanisms; and until we make the inductive approach of 'reality' we shall only increase our difficulties and sorrows.

The Myth of Action is apparent in financial and economic affairs, in politics and administration; and it is basic to so-called Christian ethics. It is highly important to understand this 'myth' because it conditions and determines nearly all legislation, and it is the essential feature of all political ideologies. All such are unverifiable abstractions which suppose that society is run according to a specific theory or Pseudoprinciple and that if another kind (a "better" kind, its exponents would say) of society is desired, then this can be accomplished by the application from above downwards of a new theory.

If, of course, social events are approached scientifically, the principles so attained are the equivalent of a scientific hypothesis or law, which may then be worked downwards with practical results. What is fatal is to elaborate theories which flow from the mere workings of the mind and are not founded on 'reality'; and here we see the urgent need for a correct use of the mental mechanism as regards its rôle and limitations.

As we proceed the reader will be presented with many examples of the Myth of Action; but here we will note an important corollary. Those who believe that effective action results from the application of Pseudoprinciples also come to believe that since the "principles" are "right," any ineffective action is due to the "badness" of men (e.g. fools, knaves, quislings, saboteurs, etc.) and hence such men are to be got rid of, or liquidated, as is the mellifluous euphemism. Such a view is the basis for a vast amount of political tyranny, and moreover it assumes the possibility of a control of social events when in fact no effective control exists.

When the Baconian-Inductive method was demonstrated some 300 years ago it was firstly applied to obtaining control over physical phenomena; and rightly so, since without the conquest of physical nature no further progress would have been possible. In the domain of matter this conquest has been consummated. The same technique is being applied with increasing success to biological phenomena. It now remains to apply it to social events; but before this can be done a vast amount of ignorance and misunderstanding will require to be removed. It is the Myth of Action which has so far disorientated and defeated the noblest plans for human welfare. No amount of idealism, no amount of good

intentions will suffice to give control over events—only a sound technical equipment and the scientific method will do so.

It can be confidently asserted that few readers will ever have grappled with the subtleties of the Platonic idea, of Aristotelian form and substance, and the rest of the metaphysical abracadabra which forms the main pabulum of Greek thought. But so pervasive and insidious have these imponderable influences proved that there will be still fewer readers who have freed themselves from this Hellenic incubus, since it has long been the unconscious heritage of the Western world.

For this reason the Myth of Action is not easy either to expound or to understand. Yet, as will be more fully shown, it has paralysed men's corporate labours for numberless centuries. It dominates our religion, our politics, our history, our economics and finance, our legislation and administration, in which realm our leaders flounder in a morass of meaningless words and vicious abstractions.

## *Chapter Thirteen*

### THE MYTH OF HISTORY

In the creating of illusion there is probably no single factor which exceeds history in importance. It is brought into operation during the earliest years of education and creates 'myths' of such intensity that few are able to destroy them. The power and enduring nature of these fictions are certainly not the least remarkable of the devices by which the money system justifies itself. If men hope to create a new order of society, the destruction of false history is imperative. If we are to progress, we must build up on the past; but we cannot build on the shifting sands of fancies and abstractions.

We now ask this important question. What is the purpose of history? Or perhaps we had better ask—what should be the purpose of history? We answer this by asking what is the end of gathering facts at all? In a real world the object of gathering facts is never an end in itself, but a means to the end of making use of these facts. We believe that the gathering of data is justified because of the rule of natural law, whereby all phenomena are interlinked in the causal nexus of events. We cannot abrogate that law. It is not possible to deal with phenomena in any arbitrary way. The business of human life consists in a flux of events into which each individual is obliged to enter, and with which he has to play his part. There is thus forced upon him the necessity of exerting his own individuality upon events in the best way he can.

He can only do this in so far as he has acquired knowledge about his environment, which means a knowledge of the laws connecting events. We are so accustomed to life-long experience with certain phenomena that we do not realise in what consists our ability to deal 'realistically' with them. It is the true function of mind to elucidate the interconnections of events; not finally to create useless abstractions about them, but in order that we may be able to deal with them in a manner in keeping with the needs and aspirations of human nature.

Now history should consist of a description of the phenomena of man as society, and its purpose should be the discovery of the causal nexus of social events, in order to give man the only measure of control he can have over them. This is what Francis Bacon long ago stated with regard to phenomena in general. In other words, *history to be valid and to function at all, must Baconian-inductive or 'realistic' history.*

Let us now see what the present history consists of and what it does. At the moment there is a popular interest in European history which is taken as beginning with the story of ancient Greece. This gives the usual account of endless wars, disputes and factions, of rivalries between states, of internal rivalries in the cities themselves; but as to the origins of these disputes we find nothing. The same is true of Roman history. There is little to choose between the various text books. Look at Professor Grant's "Outlines of European History" (1937) as an example. He gives the usual story of Rome's ascension to power, of the Republic, the Empire and the fall. Dealing with the latter and referring to the end of the Antonine Reign (Marcus Aurelius) he opines that the collapse was due to (a) a plague, (b) "the absolute and non-free form of government" of the despotic type, (c) the Barbarians' attacks on Rome, and (d) the Christian Church, which broke up the Unity of the State.

He notes that by 200 A.D. local government of the various cities of the Empire created centres of despotism which reproduced the features of the central government. On p. 103, referring to 250 A.D., we find the remark "Religion and war are the two forces that determine all the century." In the 3rd Century A.D. he noted that financial distress became extreme, that taxes were too heavy, that wars both civil and foreign had made the exaction of these

heavy taxes a necessity. The phrase "war and financial distress" forms the keynote of the whole picture, and the ominous comment is made that "only in the domain of law did Rome still work fruitfully." The most illuminating observation of all, however, refers to the 3rd Century A.D. He says:—"The confusion of the century had caused the ruin of trade."

Now this portrayal resolves itself into a melancholy statement of facts such as wrung from Gibbon the jibe that history is but the "record of the crimes, follies and misfortunes of mankind." Let us examine the supposed causes of the fall of Rome. The plague at the time of Marcus Aurelius begs the question—what caused this plague? We have only to remember the collapse of Italian farming, the waste lands, the imported foods, the hideous slums, the poverty, unemployment, and civil distress, in order to answer this question. We have then to ask why was there an absolute and non-free form of government? Why did the Barbarians attack Rome? What caused "war and financial distress?" Why were taxes so heavy? Who fixed them and to whom were they paid? Why were there thousands of oppressive civil servants? What made the city governments models of the central despotism?

We need go no farther in the light of the facts recounted. The answer is clear. The supposed causes of the fall of Rome were in turn the results of another and deeper cause which was in essence financial. To say that the confusion of the century had caused the ruin of trade is to say that  $0 + 0 = 0$ . It is completely meaningless and, as history, the acme of 'myth.'

As we proceed through the later centuries of European history we are given the woeful tale of wars and yet more wars, and we find the same obscurity. We hear of the European explorations, settlements and conquests of the 15th and 16th centuries, of interminable wars between Dutch, Spanish, French, English and so on, culminating in the Napoleonic campaign. Why were these wars fought—what factors produced these rivalries and clashes over the whole world? Why did France and Britain contest for India and the Americas? On all this there is silence.

Turn to the distressful years in Britain after the Napoleonic wars. We are told about British shippers finding no trade, of industrialists unable to sell their products abroad, of the prices of corn being halved, of farmers going out of business, of heavy taxes,

general depression, unemployment, of riots all over the industrial areas of England and Scotland. But again this is all we are told of the origins of these terrible events—silence.

To read this kind of history is to despair of the human race. It would seem that it is composed of men who exist in a state of chronic bellicosity for the fun of the thing. There are indeed people who firmly believe this about human nature. Man, of course, is a fighting animal. He has always fought and always will fight, and history is the proof. So runs the argument. History of this variety is Hellenic-Deductive and merely episodal. It is tendentious in respect that it largely presents the facts from the peripheral or external view point, as isolated incidents. It suggests no rule of natural law, no orderly sequence of events, no causal nexus, nothing but a mass of happenings with no top, bottom or middle. It is like one of those boxing booths in travelling fairs where a weary succession of indifferent and ill-matched couples take the ring. One wins and one loses. Where they came from, where they go to, why they fight, who backs them, are all mysteries.

This kind of history is the product of all that is worst in the Hellenic heritage. It tells men nothing and leads them nowhere. It has no meaning and no real significance; but it is nevertheless a prepotent factor in 'myth' making, and its significance in this respect is of supreme importance.

Orthodox historians are soaked in the Myth of State. They believe that people, and especially congeries of people, always act by reason of political theories or other Pseudoprinciples. The money system they have certainly heard of, but to them it is accepted, like the configuration of the continents. There it stands as a part of nature, forming a framework upon which the historians may build, but which it would be futile to question. It is transcendental, historically supramundane, sacrosanct. It exists, but only within the dim penumbra of events. Posterity will not fail to regard this attitude with stupefaction. When the final assessment comes to be made on the events of the past 25 centuries, the purveyors of 'myth' history will stand arraigned.

Of course it is at the moment being stated with suspicious frequency that modern wars are economic (not financial, be it noted). We ask, since when did this factor enter the field? Were

the Peloponnesian Wars, or the Punic Wars, not economic? What were the wars of Louis XIV? Yet there is a financial mechanism older than our civilisation. It, too, has a history. It, too, grew out of the pressure of events. Has it played no part at all? Turn to any modern history and you will find that it might never have existed. Finance is the *Mysterium Tremendum* of Mammon, too sacred, evidently, to be named.

Out of curiosity, I examined several recent histories. That of the late H. A. L. Fisher is typical. This work of 1300 pages is titled "A History of Europe," and on the cover are a number of opinions about it. "A triumph of historic art," says Professor Ernest Barker. "Here indeed is history," says Professor J. L. Myers. ". . . a bird's eye view, but the eye is that of an eagle," says another Professor. When, however, we turn up the ample index under banking, finance, money—not a reference. As for usury, it not only does not appear in the index. It does not appear at all.\*

This kind of history does not and cannot subserve a useful purpose. It is illusion. What would we think of an electrical engineer who tried to describe the phenomena of his craft but omitted to mention magnetism? What kind of physician would he be who would explain disease without reference to the circulation of the blood? Credit is the life blood of every State, and history which omits to deal with this factor is invalidated. It is a collection of dead men's bones, a whited sepulchre of useless facts.

To be valid, the financial facts must take their proper place, and for the 2,500 years of European history these facts are more Important than any others. Unfortunately such a history has not been attempted. The data necessary for it are not readily accessible, hut enough exist to construct all the history we need for our present purpose. It is 'realistic' history, which takes into account all the factors with a view to elucidating the causal nexus.

When we look at European history even from the orthodox presentation, we can clearly see the economic and financial foundations. The history of Greece is intimately conditioned by them. It needs little imagination to see society as Solon found it. The history of these times hinges round the sea power of Athens. But

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\* See Appendix D on Toynbee.



the sea power of Athens (like a more recent sea power) did not exist merely as an abstraction, or to please somebody's personal aims. The sea power of Athens was consequent upon, conditioned by, and only explicable on the fact that there were laden ships on the sea to be protected. Athens, in other words, was the centre of a vast commerce. It was also the centre of the money power. We see finally how Sparta overcame Athens, to use the historical description. But why did "Sparta" desire to overcome "Athens?" In a real world as opposed to the shadow world of unreason and fantasy, men do not make uncaused attacks on men. We get a clue to the reality in the significant statement that the Spartans finally defeated the Athenians with *the help of Persian gold*. But what made a Persian King send gold to Sparta in order to defeat Athens?

When we turn to Roman history, it is the same thing over again. The foreign conquests of Rome have no sense and no direction until we understand the financial mechanism. The rivalry with Carthage was a trade rivalry; in other words, it was economic war. The terms of peace with the vanquished prove that. But an economic war is at rock bottom a financial war. It is the price of 'usury.' The Roman empire was made thus and thus it perished.

If we consider European history to begin about 500 B.C., we start off with a debt-ridden Greece and Italy. European history of the subsequent 1,500 years is essentially Mediterranean. Important trade was carried on by land routes to the East from the eastern Mediterranean, and it survived until the Turkish and Saracen pirates virtually closed the lines of communication, which forced the Portuguese business men to discover sea routes to Africa and India, after which the modern Europe may be said to begin.

Now we have to remember that if the ancient world was debt ridden 500 years B.C., there must have been, as indeed we know there was, a financial oligarchy at the head of affairs. The economic activities of Greece, Rome and Carthage were secondary to the operations of 'usury.' We must, of course, distinguish between the use of money for trade purposes and the initial creation and ownership of money by financiers. These latter by the possession of gold and silver and the manipulation of acceptable instruments of credit, form the focus of all economic activity for the whole period of European history.

If we look at history 'realistically' we see a very different picture from that detached series of incidents usually described. Consider the urge of exploration which opened up sea routes to the East, to Africa, and above all, to the Americas. What caused these explorations and settlements? Firstly the desire for trade, and above all the desire for gold and silver. Now who wanted these metals so badly? The money-lender, beyond doubt. The depredations in the Americas by Spain secured a large quantity for monetary purposes. Now industry and finance are mutually interdependent. With the great increase in gold and silver, there went an even greater increase in credit, and it was the possession of this financial wealth, together with better shipbuilding and sailing methods, which inaugurated the European explorations. The old English and other seafarers were not empire builders, but sailors, financed by interested parties, with the promise of a share in the loot. Thus for commercial gain went out across the seas the steady stream of high adventurers, pirates, slavers, sailors, merchants, and the genuine pioneers (Columbus the greatest, perhaps). The parallel expansion of credit and trade, in the 15th and 16th centuries, together with firearms and the dawning discoveries of science and mathematics, assured and determined the subsequent domination of the world by Europeans.

These also engaged in a struggle amongst themselves for supremacy. It is true that there were many factors besides the purely financial. The Renaissance had done its work and the horizons of thought and action widened. The church was powerful and active. All played their parts—ideas, personal ambitions, parties, kings, religion; but behind all, commerce resting on credit. At one time Portugal seemed ahead, then Spain, then Holland, and finally France. The reign of Louis XIV with its endless quarrels and wars established the continental supremacy of France, but England forged ahead in other directions.

The expansion of credit in Britain coincided with a lively period of invention, the chief being the use of steam power to pump water and thus to permit access to the rich supplies of coal during the 18th century. This and other mechanical inventions gave Britain a great advantage, but it also put her at economic variance with France, which finally led to the Napoleonic wars. English people have little conception of the nature of this struggle or of the

character and aims of Napoleon. Like Julius Caesar before he was the champion of the common people against the growing power of what we now know as international finance. To picture Napoleon as a vulgar military adventurer seeking personal aims and urged on by the irrational desire to destroy England is a travesty of truth. From 1800 onwards we can safely assert, that all history is essentially financial. Napoleon was not defeated by Wellington so much as by Rothschild. His fall ensured Britain as the centre for the new organisation of international banking.

Now it would be a mistake to assume that the expansion of the British empire and the struggle for colonies and markets was solely "caused" by financial operations. This would be far from the truth. There was a large variety of factors, all operating and mutually interconnected. But again these were secondary, because all rested upon financial credit. This was forthcoming in unprecedented amount throughout the 19th century, and was dependent upon the discovery of the Californian, Australian and African goldfields, and on the manipulation of such devices as we have described, to make credit for the use of commerce. In this way began the out-flow of what is called British capital, the growth of the empire, its rivalry with Germany, and the final act of 1914 which signalled the end of an epoch.

In this brief sketch of events we have subscribed in some measure to the Myth of State. We have spoken of Greece, Rome, England, France, and the rest, after the fashion of historians. Our mode of presentation has certainly taken stock of the financial factors, but even so it is quasi-real. We shall now further analyse the historians' accounts to see what basis of truth they contain, and in how far they portray reality. We cannot read history without bringing to it our own conception of things, and if this is erroneous, so is our interpretation of events. To commence with the State, as we now know it, is a recent invention contemporaneous with the rise off modern financial credit. The present day State did not exist in Hellenic or Roman times. It could not, for a variety of reasons into which we need not go. Then when we think of Rome fighting Carthage, or England fighting Spain, and so on, what exactly do these phrases mean? To-day we are so used to the mobilisation of the entire human and industrial resources of countries that we forget this too is a modern invention.

But we are told that Hannibal invaded Italy with a force of 26,000 men. The Romans during that campaign had what was then a very large army of 85,000 men, though it is said that they had raised, though they did not put into the field, some 200,000 men. The campaigns of Alexander the Great were accomplished with an army of about 40,000 men. Marlborough at Blenheim had 50,000 men and Henry V. had 10,000 at Agincourt. Napoleon marched into Russia in 1812 with 600,000 men, but we are then in the days of the modern state and compulsory service, though at Waterloo Wellington's motley army was only some 60,000 strong.

These figures give us a clue to one of the 'myths' of history. When we think of "Rome," of "France," of "Spain" going to war, we see, until recently, little armies of just a number of thousands of men, out of populations which though not their present size, amounted to millions. The history books, when viewed in this light, are travesties of truth. They present a tendentious picture which, based on modern experience, suggests wars between entire nations; whereas the blunt truth is that these battles were fought out by fewer men than go to an English football match any Saturday afternoon. To imagine that such a preposterous minority of soldiery in any way represented a nation of millions is 'myth' indeed, the more so since we know that not only were these millions nearly all illiterate, but that communication of news was so slow that the famous battles of history were probably heard about for the first time by the grandchildren of contemporaries.

A reading of European history portrays an interminable succession of wars, so as to leave the reader sick at the folly of mankind. This is the convenient 'myth' which convinces everyone that man is a fighting animal and that history proves it. But does it? The interminable and often lengthy wars in Europe did no more than scratch the surface of that continent. It is true that by dislocation of local trade, the arbitrary alteration of boundaries and dynastic changes, much inconvenience and no little hardship were the lot of many. But when we think of the paltry number of combatants compared to the population, the small area of country involved, the slow moving of troops and the trifling equipment, we realise how much sound and fury are in historians' imaginings. We are, in short, deceived by the Myth of State and by what will be called the Historical Cleavage.

It is a striking thought that even in the First World War, which was the historians' apotheosis of international strife, the slain numbered eight million men. But the world's population numbered 2,000 million, so that the dead constituted 0.4 per cent. Yet the influenza pandemic of 1918 killed more in months than the combined efforts of all the combatants in five years.

Let us now look at the matter still closer. Suppose we consider any of the famous campaigns before the advent of the modern Slave State—say, the Punic wars, Alexander's or Louis XIV's wars. For the purpose of fighting it became necessary to raise an army. Historians speak of armies as if they were impersonal instruments, but they are composed of human beings. How were such men obtained? Man, of course, is a fighting animal, so nothing should have been easier. But even orthodox history indicates that rulers have only obtained soldiers with the greatest difficulty. In practice the soldiers were either obtained by force, fraud, or the inducement of pay with loot. It is true that there is always the hard core of professional adventurers to whom butchery is inconsequent, but they are in a tiny minority.

The universal method of securing soldiers has been fear of authority and threats of force. This has always been used where power was sufficiently centralised and it is the technique of the modern state. Otherwise the soldiery was recruited from the rank, of professional adventurers, criminals and lunatics. In any event we can safely assert that in any age the opportunity for loot and licence alone would have in itself been sufficient to gather a quite formidable army of rascals in any country.

In Warner & Marten's "Groundwork of British History" p. 331 is the following:—

Later on the King of France demanded that the promised concession to the Catholics in England should be granted and in 1627 the two countries (sic) gradually drifted into war . . . . At that time there was no standing army, and a force largely composed of the riffraff of the country was not likely to be successful.

Actually it was, but there is a footnote to the page thus:—

When an army was to be raised, each county had to contribute a certain number of men. The Lord-Lieutenants, as in this case, took advantage of the occasion to get rid of those who it was desirable 'should leave for their country's good.' Buckingham's troops were ignorant alike of marksmanship and discipline, and after being drilled for a fortnight at the seaside were despatched on the expedition.

Thus the war With "France" in 1627.

The Encyclopaedia Britannica, 11th Edn., referring to the English Army of Pitt's days, says:—"In war time the ranks were also filled by released debtors, pardoned criminals, and impressed paupers and vagrants." As for the navy, during the Napoleonic Wars the men of England were so anxious to sail against the foe that enlistment was by the press-gang. The technical term for this obnoxious practice was impressment. This procedure has been universally used by all States to secure its soldiers and sailors. Queen Elizabeth and Charles I. both used it. The "New Model Army" of Cromwell was largely raised by it.

In 1779 a general press of all rogues and vagabonds in London to be drafted into the regiments was ordered. It is said that all those who were not too lame to run away or too destitute to bribe the parish constables were swept into the net." (Encyclopaedia Britannica.)

Queen Elizabeth's government could not man the navy without impressment, and the navy of Nelson's day was likewise recruited. At the end of the 18th century, with the exception of special categories "all seafaring men and watermen on rivers were liable to be pressed between the ages of 18 and 55 and might be pressed repeatedly as long as their liability lasted." (op. cit.) In these ways the navy was flooded "with the scum of the jails and the workhouse." The press-gang method was highly unpopular and not too successful, yet so acute was the demand that at one time (about 1800) it was not uncommon to stop inward bound merchant ships in the high seas and press the sailors into the navy. The retaining of such men was only possible by the lash and the hangman's rope. It is true that occasions may have arisen when free men did fight for sound aims or to resist wanton aggression,\* but are we to believe that the financial struggles of the past centuries were fought by free men? So little is man a fighting animal that if it were not for the use of force and fraud there would be few battles for historians to chronicle. That the force is to-day financial makes no difference. If there were no force there would hardly be a soldier under arms anywhere.

To get an idea of the outlook of the historian and his distortion of truth, turn to p. 747 of Fisher's "A History of Europe." The chapter is headed "Europe at War, 1740-63," and begins:—

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\* e.g. The Scottish Wars of Independence in the 13th and 14th centuries.

The War of the Austrian Succession and the Seven Years War sprang from a common source. In 1740 Frederick II. of Prussia drew the sword because he was determined *to make himself talked about by the conquest of Silesia*. . . . Almost all the continent was embroiled . . . At one moment it seemed that Austria would be brought to the ground, another that France would be dismembered, at a third that Holland and the Netherlands would be annexed by the French, at a fourth that Prussia would be overwhelmed by the Russians and the Austrians.

This is 'myth' history indeed. Here we have named some eight countries of vast extent and with many millions of people. Out of each is raised an army numbering a few thousands. Who are these men? Who paid them? What personal motives induced each to fight? Every soldier is an individual with his home, his relations and friends, with perhaps a trade at his disposal. He likes things, approves; or the reverse. He goes out to fight—but for what? For whom? Is he interested in the Austrian succession, or the textiles of Silesia, or does he tremble at the thought that "France" might be dismembered (whatever that means) or "Austria brought to the ground?" History has failed to tell the truth about the only things that matter. Men do not act in the way this nonsense suggests. They act for purely personal aims and objects. When a Dorset farm servant or a Hebridean fisherman joins the British army, he has a set of aims and views which would certainly consternate historians if they knew them.

'Myth' History is the product of men's minds, whereby 'reality' is overlaid by fancies, imaginings and suppositions. It renders a portrayal of society which bears no relation to the truth at all. True history is rooted in two factors—the common man and finance. The orthodox historians know neither.

'Myth' History largely centres round the Myth of State. By this illusion it is presumed that the actions of a man or a mere handful of men constitute the actions of the State. It is this fearful misconception, allied with the centralised power of finance, which has created the Historical Cleavage. As financial power has more and more centred authority in fewer and fewer men, so the ruling body comes to act with increasing strength in the name of the State. Today that body is properly designated the financial oligarchy. Its members, though quite ordinary men, yet act with the power of millions of men through Sanctions and industry. They make

arrangements and promises with the members of the oligarchy in other countries and these are supposed to be arrangements and promises between States. The Historical Cleavage is inevitable whenever power is centralised. It was prominent in the days of the Roman Empire. It is common to all sovereign States to-day. The cleavage is between the rulers and the people; between the nation and those who manipulate power in its name.

We have to remember, however, that the history we know is mainly that of the Lower Sequence of Events,\* but we at all times subserve the Higher, and a true reading should portray the latter. In spite of the infinite personal aims of individuals, the higher ends are at all times subserved since a transcendental purpose broods over all. We cannot readily perceive this purpose and least of all can we see it when we are active participants; yet we must deal with the events on the Lower Sequence as best we can, ever seeking to understand the purport of our actions.

History to be effective must be 'realistic.' To be effective it must start with the individual. 'Myth' history never does this, but deals in useless abstractions and accepts illusions which obscure the truth. It leaves out of account the factors which alone produce events, which are chiefly man operating through his mental mechanism and that pressure which derives from financial domination.

If history is to be more than a formal presentation of facts it must deal 'realistically' with the phenomena. We are told that history repeats itself and that men never learn its lessons. History is bound to repeat itself since for centuries the operative factors are identical. The same forces applied under the same circumstances produce the same results. But men have never comprehended these forces, and so have never perceived the causal nexus of events. How could they? 'Myth' history provides no data for the purpose.

Our present civilisation, we are told, is Hellenic. If this is true, as I believe, it is not a glorification of things Greek. Looking at what remains of it to-day, one might be pardoned for regarding it as a failure. It has been and is a mind-ridden civilisation, wherein men have failed to achieve the true purpose of society.

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\* Vide page 390.



We have now seen the nature of the four great 'myths' by which men are enthralled and deluded—the Myth of Money by which they fail to perceive the rôle of 'usury'; the Myth of State behind which the moneylenders operate and through which the common people are everywhere and always sacrificed upon the altars of Baal; the Myth of History by which the false State is supported and the Myth of Action by which effective control is palsied.

The problem which now faces men is clear. Can social events be controlled? Clearly they can only be controlled within the sanction of natural law. But is even this limited degree of control possible?

That it is possible is the answer of true social science; but such science can only exist as men discard their illusions and ascertain the relationships of the factors at work.

Such a science is then essentially a human ecology, by the application of which adolescent humanity will no longer be at the mercy of its mechanisms but will attain its destiny by conscious and willing co-operation towards it.

# **Part Four**

## **The Other Six Mechanisms of Society**

*I shall only point out that, taking the opposite view to a very wide-spread and superficial opinion, Bergson asserts that mechanics and mysticism, far from being opposites in nature, attract each other and require the completion of the one by the other. 'Man will rise above earthly things,' Bergson writes, 'only if a powerful equipment supplies him with the requisite fulcrum . . . .' In other words, 'the mystical summons up the mechanical . . . !'*

*And, on the other hand, 'We must add that the body, now larger; calls for a bigger soul, and that mechanism should mean mysticism . . . . Machinery will find its true vocation again; and it will render services in proportion to its power, only if mankind, which it has bowed still lower to the earth, can succeed, through it, in standing erect and looking heavenwards.'*

From *Redeeming The Time* by Jacques Maritain, who quotes from Bergson's *Mechanics and Mysticism*.

## THE OTHER SIX MECHANISMS OF SOCIETY

### *Chapter Fourteen*

#### THE MECHANISM OF INDUSTRY ITS NATURE AND 'OBJECTIVE'

We have seen that the total quantity of money in any credit area varies only with the action of the central bank and is limited by the canon of the international financial system.

The indisputable effect of this is that the total quantity of goods produced, or, what is in the end the same thing, the total quantity available to consumers, is limited primarily by the total quantity of money available; and in this fact is to be explained so many of the absurdities which appear in the economic realm.

Now industry can be considered as a five-fold mechanism instituted as follows:—

- (1) THE CAPITAL OWNING, which is concerned with the beneficial owners, through whom the (secondary) capital is derived.
- (2) THE TECHNICAL MANUFACTURING, run by the managerial and technical production staffs, in whose hands lie the whole of the industrial operations.
- (3) THE EMPLOYING, comprising the employees directed by (2).
- (4) THE SELLING, being the operations of marketing and selling what (2) and (3) produce.
- (5) THE BUYING or final operations on the part of consumers to acquire the products of industry.

## 1. THE CAPITAL OWNING.

The capital of industry is its very life blood and, therefore the conditions under which this capital is made and used is of vital importance. One often hears of people "making money" when all is meant is the acquiring of money already made. Only central banks can make money and so the capital of industry has its true origin in these institutions. Of the total money thus created, that portion which becomes available to industry might therefore be described as Primary Capital.

This money is then injected into the economic system through the medium of private persons or corporate organisations for the use of industry, and is hence Secondary or Industrial Capital. Obviously the amount of the latter is dependent on the Primary Capital made available by the central bank, which becomes available in the form bank deposits.

But the bank deposits are the reflection of an equivalent amount of debt, and the legal relations of creditor and debtor exist in the long run between the banking system and industry in its entirety; so that, whatever the ostensible source of Secondary Capital, the creator and ultimate owner of it is the banking system.

More industrial capital in any event comes into existence as debt owed by industry to those who subscribe it; but it does not matter how prosperous any specific industry may be, it is usually in debt in the first instance to its shareholders and in the last resort, considering industry as a whole, to the bank.

Now a debtor holds his debt on conditions laid down by his creditor, who is the real and effective owner, and the first necessity of creditors (a necessity imposed on them by the very nature of the system) is to see that their debtors are credit-worthy, so that the risk of default is as low as possible.

So far as industry and business are concerned, the banks are therefore obliged to favour the largest concerns, the consequence of which is seen in the inexorable growth of combine, monopoly or trust, and in the process euphemistically called the rationalisation of industry.

The post-war (1918) amalgamations of the cotton, iron, steel, shipbuilding, shipping, transport, and other industries, including banking itself, therefore did not result from any theory or deliberate plan, but were the automatic and totally unavoidable consequence of the technique for the creation of Primary Capital.

The tendency of industrial concerns to unite into ever larger units is, as Jeffrey Mark observes in "The Modern Idolatry" (p. 121), not one of aggression, but of protection; not one of choice, but of necessity. The socialists imagine that they see in this tendency a subtle scheme on the part of the "capitalist class" to destroy the "working man," while the small trader thinks he is being deliberately exterminated by big business. *The fact is that all are being exterminated by debt*, and the sooner this is realised, the sooner will the unseemly squabbles of politicians come to an end and the real enemy be attacked.

The immediate future is clearly predictable. In their industrial ventures the bankers are bound to seek the safest debtors. Until recently the big industrial combines were tolerably safe, but the magnitude of the total debt and the consequent oscillations of the price level have rendered even the biggest business insecure, and they can no longer satisfy the requirements of high finance.

There is, however, yet another debtor whose security and stability surpass the wildest hopes of the moneylender, which is the nation itself in its present form of the banker's State.

When central banks fully utilise the security of the State, we have the situation known in current abstractionist jargon as State capitalism. The banking system then creates and supplies Primary Capital to industry, either directly or through industrial organisations, so that the private purveyors of Secondary Capital are eliminated. The industrial mechanism is then operated by technicians and employees, the "state" being the sole beneficial owner, but in complete bondage to the banking system. This is, in fact, the situation in the Soviet Union.

When we review the various industrial countries in the light of this analysis, we see in each credit area an ascending degree

of centralisation of power which is directly proportional to their respective total debt.\* Thus, in U.S.A., the centralisation is least and the private purveyors of Secondary Capital still function freely, though via ever-increasing combines. In Britain the elimination of the private capitalist in favour of State capitalism (or of State control, which is the same thing indirectly achieved) is well advanced. In dictator countries centralised governmental control is nearly absolute, and in the Soviet Union absolute.

In U.S.A. and Britain, the so-called democracies, the pre-war amalgamations of industry were proceeding at such a pace that even if war had not arrived, these countries within the next twenty or thirty years would have of necessity developed the same absolute "state capitalistic" organisation as is now found in Russia.

This ultimate and absolute ownership by the State, as it is pleasantly called, is the inevitable outcome of the debt system, whose centralising of power, and not any planning or political theories, produces the socialization or nationalisation of industry.

Now the mechanism of industry can only survive so long as it pays interest on the Secondary Capital; but this is only a part, and a deceptive part, of the picture. At the back of industry lies the central bank with its Primary Capital, and even if industrial profits were eliminated, industry would still require to pay interest on this bank money. It is this and other usurious payments, and not profits, which in the long run generate the terrible train of evils and misdirected effort.

The socialist view of capitalism is thus a caricature of the truth and the supposed iniquities of owners are not impressed upon industry at their individual discretion, but are the inexorable outcome of financial pressure, since every owner without exception is directly or indirectly a debtor to the banking system and must acknowledge a power superior to him. Furthermore, the operations of the 'Negative Money'

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\* In less financially evolved societies (e.g. Russia in the 1920's) centralisation may repose primarily in the mechanism of Sanctions. I believe that in the Russia of to-day power is nevertheless financially centralised.

mechanism are such that a general prosperity is an impossibility, since prosperity at one part of the system denotes depression at some other.

Since industry as a whole can only "prosper" in so far as it gets deeper and deeper into debt, the ultimate result is to divert more and more credit from its true purpose until the whole procedure of making and selling commodities is in increasing measure stultified and misdirected.

## (2) THE TECHNICAL MANUFACTURING.

The next phase of industry which feels the weight of the creditor is that of manufacture. This is run by a body of men who are excellent products of our material civilisation, and who will in good time be our ultimate saviours from poverty and tyranny. In a non-inverted state of society such technical experts would have complete control of all manufacturing processes in industry and their status would be sovereign. But in the present state of debt they are stifled and thwarted at every point and frequently reduced to impotence. The point of pressure on all processes is that of cost. The need for quality, for the satisfaction of craftsmanship, for perfection, for the very best, and the ability to create and use devices and methods still further to liberate men from bondage to nature, count as little or nothing.

In every country, and especially in countries (such as Britain) which are on the financial downgrade, we find obsolete methods, fusty and inefficient machinery, despicable plant and buildings, all vainly trying to keep going, which means trying to adjust costs so that they may be recovered in prices.

Here again we witness the money veto. The shortage of money compels owners willy nilly to compel in their turn their technical staffs to work in places and under conditions which no one would tolerate if money were "free."\*

In proof of this we have only to scrutinise the various types of industry. The so-called heavy industries (coal mining, iron, steel and shipbuilding, etc.) in Britain were in financial default after the 1914-18 war. This was no fault of theirs, but was

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\* See page 425.



due to the inevitable expansion of war conditions. What resulted? These industries were owing large sums to the banks who then "rationalised" them. This meant in effect either destroyed them or kept them going by bank supervision. The scandals of these operations especially in steel and shipbuilding have yet to be told. These industries were the naughty boys and had to stand very much in the corner. The banks then preferred customers in more "prosperous" trades. We have only to look at the industrial areas round London to see what happened. Certain industries became financially favoured. The electricity industry in its various ramifications was thus honoured. So were all the piffling industries whose products are either luxuries or superfluties (such as perfume, cosmetics, patent foods and medicines, medicated toilet paper, matches, fountain pens, ink, and so on), which sell in small and in frequent amounts at fancy prices.

The basic industries were side-stepped for such enterprises. Whereas ships, engines, machinery, steel, iron and coal are produced under horrible and positively debasing conditions, the factories which produce chocolate, lipstick, electric lamps and fittings and so on, are on the whole clean, modern, and amply supplied with good machinery and methods.

If we wish to consider the opposite condition it is necessary to look at that most important industry—agriculture. This has never been a useful field for the banker for a variety of reasons. The principal one is the fact that the independent farmer has never been a reliable debtor or an easy subject for combines and rationalising. He succumbed, however, in the Ukraine amidst shocking cruelty and bloodshed, and his demise here is only a matter of time. When that day comes the tubercular cattle, the rusty crude implements, the insanitary houses and byres, will all be swept away in favour of modern machinery and methods, to the ruin of the land and the land worker.

But even though some industries are favoured at the expense of others, the technical production staffs are everywhere badgered, coerced and limited by the operations of debt. Every engineer must in fact bow the knee to the accountant. He must keep secret his methods and his ingenuities and invention, and so slow up efficiency. He has to endure as superiors his

owners and their nominees. These are regularly men who know next to nothing about industrial production, but who get paid many times the rate of their best technicians simply because they are the purveyors of capital or because they are able to secure orders for their products through what amounts to corruption or they are (even worse) the sons or odd relations of such people. Here then, in the purely technical side of industry, we find the centralisation of power vested in the money system via the ownership of capital and plant.

### (3) THE EMPLOYED.

Next in the scale comes the employee aspect—the workers. This today simply means trade unionism. The very existence of this lies in the operations of the money mechanism. It is true that there were, and are, bad employers; but even if all of them had been good, or even perfect, whatever these adjectives may mean, the rise of trade unionism was inevitable. The best employer must be credit worthy, which means in other words that he must be able to pay interest on his loans, and to this extent "profits" are blameworthy.

But the financial profits which count are not in the end those distributed to shareholders but those which accrue by way of interest to the banking system, and which might be called the Final Profits. These must appear or industry disappear, and this again is a necessity of the mechanism and has nothing to do with goodness or badness in the employer.

This necessity so operates that employees must in the nature of the case be beaten down to the bare subsistence level. At this point some idealists will be sure to think of those really "good" firms which provide houses, dentists, doctors, golf courses, pensions, and in fact "treat their employees well." Such firms are an imposition on the community. They are idealist nightmares and only exist because their products are being sold at a price which, comparable to other products, is excessive. In other words, the pseudo-prosperity of such firms is the price of failure, dilapidation and oppression elsewhere.

The formation of trades unions became necessary in order to procure for employees a little more of the little allowed by the bankers. But how little! And what evils have flowed from

this monstrous tyranny of trade unionism. Again it centralises power, but, paradoxically, in the hands also of the **bankers**, **It has** in effect created a political machine which has always operated in the ultimate favour of finance, just as the Liberal land taxation does. Soon the trades union politicians will have handed over their dearly bought privileges to the State; which is to say, the Financial Oligarchy, after which they will be disembowelled, and this is what happened in Russia and in Germany, and is now happening in Great Britain.

What a tragedy of 'myth' this is! Imagine millions of workmen hedging themselves by thousands of rules and regulation hedging in their turn their owners and their managerial staff with more rules and regulations, whose sole effect is to strangle initiative and enterprise, and finally to force the entire structure of industry into the clutch of finance. These desperate men with their strikes and lock-outs, their contributions, societies, agents, offices, conferences, political bosses, and their parity machine, all struggling to get pence and ha'pence when, with a 'Free Money' system they could get shillings and pounds.

#### (4) SELLING.

Then we observe the centralising effect of the money system as it affects the selling side. When in the future men put society on a proper basis, they will certainly look back on the present mechanism of business with amazement. Nothing could better illustrate the follies and stupidities of our machinery than this.

It might be thought, and ought to be the case, that the selling of products would be easy and automatic, since people just buy what they need. But not under the debt system. People then only buy what this permits them to buy; and such is the result of 'usury' that they can never hope to buy more than a fraction of what they themselves could make, no matter what the psychology of salesmanship, or the skill in advertising or the number of times the shop fronts are rebuilt.

The pressure upon this end of industry lies in the money mechanism's decree that no one can get money except through work, i.e. except through hiring his services to the debt owners.

In consequence people are compelled at all costs to invent jobs in order to live. Thus we see how it is that some necessary and useful commodity, produced by the makers for, say, 5/-, is finally sold to the unfortunate consumer for anything from £1-£2, and sometimes at even greater profit (e.g. contraceptives). Of course, all commodities do not show this discrepancy, but very many do; and the difference between manufacturing and selling prices is due to advertising, to the interposition of anything from two to four or even more intermediary agencies, and to the incidence of taxation—the latter debt generated. The agencies are necessary because of the struggle of manufacturers to pay the Final Profits, and because the individuals working these agencies must obtain money in order to live; but it is right to state that these people are by no means all parasitic, as is supposed.

With regard to the business of advertising we saw the real nature of this buffoonery when the nation was at war. The hoardings were stripped. In normal times there were millions of them disfiguring every corner of these islands, all to be rented and posted at a cost whose total, while unknown, must have been enormous.\*

The public were exhorted to buy cigarettes of every brand, mostly made by the same firm! Where were these specious exhortations in war time? The fact is that the British public in 1945 were smoking at the rate of some £500 million worth of tobacco in a year, without help from any advertisement whatever.

The same applies to petrol. Why advertise petrol? People either use it or they don't and no advertisement makes the least difference. Fuel engineers tell us that there are differences in hydrocarbon fuels, and indeed vast differences; but these are as it were vertical, not horizontal differences; so that the claims made by petrol advertisements are generally bogus. Thousands of motorists ran millions of miles on "pool" petrol during the war, and the cars went just the same as ever.

The fact is that all advertisement, except for the *bona fide* introduction of something new, is likely to be fraudulent. Any-

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\* Said to be £200 million yearly in Great Britain (1933).

thing which is widely advertised is proof that the cost of that commodity to the consumer is grossly excessive.

The business of advertisement is of a piece with the inversion and folly of the whole of society. It is conditioned by one thing, and one thing only; and that is the veto power of central banking to keep men perpetually short of money. And the irony of it lies in the fact that every penny spent on advertisement comes out of the pocket of the consumer. One hears from "advertising experts" that this is not so, and that advertisement actually cheapens commodities. Anyone who believes this nonsense will certainly not understand what I have to say here. This technique of advertising is also a serious source of corruption. It has virtually destroyed what power and influence the newspapers ever had, because they now depend on pleasing their advertisers rather than their readers, whose humble penny or twopence does not pay for their cost.

Then there is oblique advertising seen in free insurances, fancy services, and in the expensive publicity stunts of the departmental stores. Ladies' corsets and other more ornamental than useful feminine accessories are in normal times sold to the accompaniment of mannequin parades, exhibitions, free demonstrations, with free tea, alcohol and tobacco, all at profits; which must make the manufacturers of steel and machinery envious.

The expensive and ever changing shop fronts, the elaborate windows, the fancy motor vans with liveried attendants, the sales 'blah' and pseudo-subservience are all part of the scramble for recovering costs at any price.

Then there is the "psychology of salesmanship." It is a fact that sales employees in up-to-date stores now get sales talk classes for "putting it over." I have personally seen some of the written instructions used. This lamentable drivel reaches its apotheosis in the case of those unfortunates who hawk round vacuum cleaners and electric washers on the hire-purchase system.

The business of retail selling in large stores is scandalous and also has its origin through the money system. Every employee is carefully watched, indexed, filed, compared and classified. Many firms stoop so low as to employ detective shoppers, who

buy and then report on the method and personality of the sales employee. These employees get a tiny commission on sales. Those who are most "magnetic" and have the greatest capacity to inflict sales are elevated to superior positions, there in their turn to exert more pressure on the unfortunate underlings. These have to explain why this or that customer, witnessed by the eagle eye of the head of the department, was allowed to go without a purchase. They have to explain why, compared to the same week last year, or last month, their turnover was less.

Then last, but not least, come the deceit and the fraudulence which are inseparable from selling. What happens under a debt system is simple. Either the price is excessive or the commodity inferior. In many kinds of business both situations coexist.

There are yet other pernicious methods dependent upon the money pressure. The sales on commission method is one of the worst, and produces deceit and degeneration. Electric and domestic appliances, typewriters and such like office equipment, motor cars, and so on, all come under this category to the detriment of everyone, including the unfortunate salesman.

And to cap all, these trades maintain whenever possible expensive organisations whose operations are of doubtful legality, whereby the consumer (who actually pays for his own undoing through the retail prices) has the pistol held to his head. In order to keep up prices and the mumbo-jumbo of salesmanship, advertising, long credit, and "after service," traders band themselves together with intermediate agents and manufacturers, into self-made legal schemes within the law to judge, try, and impose penalties among themselves.

And all this to sell things everyone is eager to acquire but cannot, because money is kept short by a faulty mechanism.

#### (5) THE BUYING.

As for the consumer, his lot is indeed pitiable; for he is in a world full of things which he is not only unable to buy to satisfy his reasonable requirements, but which he can only acquire by being the butt of endless processes of corruption and trickery. More, his shortage of money compels him to resort to those

businesses whose methods are most fraudulent or oppress; whether he likes it or not.

The effect of this inversion of society is readily perceived. It produces amongst those who operate the chicanery a moral deterioration which is only too evident in business. It causes continual enragement and annoyance amongst the buying public, and creates legitimate discontent by the dethronement of manufacturers in favour of hucksters.

But it is in keeping with the inversion which the financial mechanism imposes that such hucksters and cadgers should dominate the whole of industry. After all, the 'objective' of industry is not to produce goods but to create a basis for moneylenders, and it is this which generates the fraud and not 'badness' on the part of business people, who would be only too glad to work cleanly and usefully.

It follows that wherever these abuses are greatest, the status of the salesman is at its highest. Undoubtedly this is to be seen most clearly in the U.S.A. To bankers the ability to sell a thing is vastly superior to, and more important than, the ability to make it or even to create it.

Indeed, in the latter case, the question to the banker may be one of liability and not asset, and it is this tendency which so largely constrains invention and development. More than that, it is beyond doubt that invention and development are restrained and sometimes financed out of existence. There is, for example, a wireless valve in use by the telephone corporations whose life is stated to be 10,000 hours as opposed to 1,000 hours of the domestic radio set. There are various inventions (one, for example, in the domain of musical reproduction) whose patents have been carefully and expensively bought only to be pigeonholed so that certain industrial concerns could continue to be profitable. There is a wealthy and all-powerful combine marketing a piece of machinery which, for many years (and still, for all I know), maintained an office staff thinking out every conceivable kind of patent relative to its product, with the object of taking out the patent and then doing nothing about it, so as to oust competitors and thus keep its own products on the market.

The final effect of these operations on industry cannot but be disastrous. They lead to fraud, to constant friction and open dispute, to inefficiency, to frustration, and to a realisation on the part of everyone of the complete silliness of it all. Millions of people are condemned by the pressure of events to do what is euphemistically called work, but which consists in the long run of putting marks on pieces of paper in order to satisfy the artificial demands of the money mechanism. These frustrations and trickeries are not events which arise by the "badness" of men. They are the inescapable necessities of the veto system of monetary pressure.

It is only when we carefully scrutinise the industrial apparatus as a whole that we realise the truth. It is sometimes said that "banks create the means of payment out of nothing," but this is not the whole truth. The money created by the initiatory action of the central bank comes into existence through the mutual co-operation of the commercial banks and industry. Bank credit, or money, is, in short, based on existing real wealth in the form of goods and services or on potential real wealth creatable in the future. The money mechanism is, therefore, a technical device for hypothecating the productive ability of the entire community, and depends upon the capacity of industry to produce and the public to consume an amount of goods up to the limit allowed by the bankers. Bank money is thus made as a loan to the community either directly or indirectly against goods, and as such it is therefore injected into the production and never into the consumption side of industry.

From these facts flow all the results observed. The consumer in the first place can only receive money through labour devoted to whatever aspect of industry the bankers choose to foster.\* This power is enhanced by the diabolical device of taxation which demands from the consumer, never his goods, but money, which the bankers alone create.

The consumer cannot himself make money, and what he acquires is limited by the operations of production and distribution. But these operations give him, as consumer, only a fraction of what money the banks initially produce, for an ever

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\* Through the industrialists and the subscribing public, of course.



greater proportion of the total created is diverted to finance production and reverts by taxation and otherwise to the financial system by way of debt service, there to be finally destroyed or exported. This then limits the purchasing power of the consuming public.

Furthermore, the total money injected into the production side of industry must be repaid sooner or later, and must be repaid with interest. It is this necessity for interest which fundamentally conditions the so-called profit motive in industry. To pay this, and especially to pay interest on Primary Capital, means that industry must try to recover through costs a greater sum of money than it originally acquired. Thus, as time goes on, the debt structure enlarges and industry is committed to an endless and losing battle with finance in the futile effort to recover a non-existent financial surplus.

Thus the financial mechanism produces irresistible pressure at both ends of industry—at the producer's and seller's end the necessity to recover all costs (including the usurer's share) through prices; and at the consumer's end the pressure of purchasing power strictly limited by the obtaining of employment at a level of remuneration which beats everyone down to the scale of the lowest.

The manufacturer must get money out of this crazy system by hook or by crook, and he must recover it through costs which he therefore cuts to the bone by low wages, poor plant and buildings and obsolete methods.

The sellers in their turn have to scramble in a diminishing or contracted market to recover their costs, an ever increasing share of which is due to an ever increasing taxation. This irresistible pressure at once produces the hocus pocus of salesmanship and advertising, the hordes of parasitic agents, shoddy or fraudulent articles and the other disreputable aspects of retail trade.

It is true that certain industries do not cut costs in the extreme, utilise excellent plant and methods and pay good wages; but their success is another's failure. The idea that if the "bad" firms would follow the example of the "prosperous" firms, all would be well, is myth, since the prospect of all firms

being prosperous is a physical impossibility under Debt money. The idea that the manufacturing-selling evils are due to the badness of men is another misconception. They are the inevitable sequel of the fact that men have committed themselves to a mechanism about whose real 'objective' they are in ignorance.

#### THE 'OBJECTIVE' OF INDUSTRY.

Here it is advisable to warn readers again that the word 'objective' is used in the sense special to this book. It is not suggested that all directors of industry have any conscious personal objective at all save that of getting as good a living as possible by making and selling goods with the least trouble. Indeed, no one may be more surprised than these very directors to discover just what 'objective' they do subserve. It is, in fact, an urgent necessity for industrialists to understand clearly the unconscious rôle they play in this insane scheme of things.

Now the industrial mechanism is a complicated social apparatus and it has several by-products of its activity and Non-Efficient Objectives. In the public mind the 'objective' of industry is the production of goods, but we know that millions of people are semi-starved and generally short of goods everywhere although these could be made available in plenty. We know that in all strongly centralised countries legislation has long been used to restrict production and diminish goods, and even to destroy goods already made.

Thus industry produces goods, or destroys them, or fails to produce them according to the ukase of the moneylenders, and so these functions are merely by-products of its activity.

It is also believed that industry exists to make financial profits, but a scrutiny of the facts fails to bear this out. In "This Age of Plenty" (p. 94) we are informed that from the passing of the Companies Act of 1862 until the end of 1926, no less than 218,938 companies had been registered, with an aggregate capital of £9,500 millions. By 1926 the number of companies in business was 92,320, with a paid up capital of £4,250 million. *This means that 126,618 Companies had disappeared along with £5,250 million.*

The Macmillan Report in para. 386 gives these figures:—During the year 1928 there were 284 companies formed for which the amount subscribed for capital issues was £117,000,000.\*

At 31st May, 1931, the position of these companies was as follows:—

Total ascertainable value of these issues was £60,000,000 showing a loss of over £50,000,000, or 47%, of which the public's loss was even greater. Of the original 284 companies, 70 had been wound up and 36 others had no ascertainable value, the total issues of these 106 companies having amounted to nearly £20,000,000.

These figures, then, show that industry not only operates to produce profits, but that it also produces losses to the extent of half its invested capital. Hence profit-making is not the true end of industry but is a Non-Efficient Objective.

But there is one purpose which is always subserved, whether industry produces goods or destroys them, whether it produces profits or losses, whether the means of production are in private hands or in the hands of corporate bodies, or even, as in Russia in the hands of the State, and that is to act as a basis for the operations of the Negative Money system.

Whenever this is understood it will be apparent that all the phenomena which appear in the making and selling of goods—phenomena which from a personal viewpoint are inexplicable and foolish—appear rational, sensible and wholly commendable whenever we dismiss from mind the common-sense notion that industry exists to make goods and recollect that *its true 'objective' is to serve as a basis for the creation of money, and especially Bank Deposit Money.*

The creation of this credit is accomplished by the central bank acting in alliance between the government, the commercial banks and industry proper, with, as accessories, the other financial institutions such as insurance companies, building societies, and hire purchase organisations.

The effect of this technique is clearly apparent. The total quantity of money made is not determined by the consuming

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\* A “bad year “ according to orthodox economists; but who or what made it a “bad year “?

capacity of the public nor by the productive capacity of industry, but by the arbitrary canon of finance; which is equivalent to saying that the amount of goods produced is therefore limited by the amount of money created.

If the central bank over any given times pursues a policy of expansion, then industry produces and the public consumes more. If, on the other hand, a policy of contraction is pursued, industry creates less and the public suffers a corresponding deprivation.

The late Mr. McKenna, at a Midland Bank shareholders' meeting on 26th January, 1934 (quoted from "Wealth, Want and War," by C. Marshall Hattersley, page 54), said:—

Nothing in monetary practice is more certain than that contraction of the volume of money, or even failure to secure an adequate increase, tends both directly and indirectly to put a brake on business of every kind and to produce the very troubles—unemployment, unremunerative commodity prices, unbalanced budgets and general depression—which have been apparent in almost every country of the world in the past four years. It follows, then, that the policy of the Bank of England is of the utmost concern to everyone, for no one escapes the effect of general depression and not one of us fails to benefit from sustained prosperity.

and this:— (Mr. R. G. Hawtrey, in "The Art of Central Banking" Longmans, 1932, p. 302.)

The common factor of pre-war and post-war experience is the intimate association of the state of trade with the enlargements and compressions of the consumers' income and outlay effected by the central banks. If this fundamental causal sequence were generally understood, the public would hardly acquiesce in the central banks proceeding, from their position of complacent detachment, to generate depression, unemployment, bankruptcy, budget deficits and defaults, with the resulting political and social convulsions, while government after government is broken because it can neither stem the flood of ruin nor even provide tolerable palliatives to alleviate the consequences.

There can be no question, then, of the source of the booms and slumps in industry. Instead of money being the servant, it has become the master of humanity. Through the operations of 'usury' this financial mechanism continues to build up its ever-increasing and irredeemable debt by putting industry into pawn; and by curtailing the creative capacity of mankind it produces want and servitude.

## *Chapter Fifteen*

### THE MECHANISM OF ADMINISTRATION: ITS NATURE AND 'OBJECTIVES.'

The want and servitude imposed upon humanity by reason of Negative Money are not the result of an isolated sovereignty; and owe their existence to certain sanctions. Thus, in the classification of the seven social mechanisms here adopted, that of Sanctions comes next below industry in our inverted social order. The mechanism of Sanctions is succeeded by and closely interlocked with that of Administration, both together constituting the Big Stick of Government.

For our purpose, however, it will be more convenient to defer the study of Sanctions until we have looked into the question of Administration; and as this is written primarily for British people it will be convenient to consider their Administration in particular, merely noting that the general facts are applicable elsewhere.

It is usual to consider the judicature as separate; but as it deals with the administration of law, we shall here regard it as part of the mechanism of Administration which is simply the whole machinery by which the Executive carries on or is supposed to carry on the government of the country; and this, of course, includes local government.

We shall here consider the mechanism in the following order and with this classification:

(1) THE CIVIL SERVICE in its six specific functions.

- (a) The Treasury.
- (b) The Tax Collecting.
- (c) The 'Public Services.'
- (d) The ' Social Services.'
- (e) Rationing.
- (f) Legislative.

(2) LOCAL GOVERNMENT.

(3) THE JUDICATURE.

### (1) THE CIVIL SERVICE

(a) THE TREASURY. This institution deals with government finance and stands in intimate relation to the credit making machinery of the Bank of England. It determines all government expenditure and thereby controls absolutely every other function of the Civil Service. It is described not very accurately as "the purse of government."

Its extreme importance can be estimated from its composition. When central banking came to power some 200 years ago the old office of Lord High Treasurer went into commission. In other words, an individual came to be replaced by a committee, called the Lords Commissioners of His Majesty's Treasury, consisting of the Prime Minister, who is described as First Lord of the Treasury; the Chancellor of the Exchequer, and five Junior Lords.

To quote Whitaker's Almanac:—

Attached to the Commissioners are two Parliamentary Secretaries, a Financial Secretary, and a Permanent Secretary and a staff of officials. In the distribution of duties among the Commissioners, the Prime Minister and the First Lord are mainly concerned with the political aspect of public business and the Chancellor of the Exchequer mainly with the financial. The Parliamentary Secretaries and the Junior Lords perform the duties of Government Whips and the Financial Secretary assists (!) the Chancellor of the Exchequer in his financial duties.

The important point is that the political and financial mechanisms are here interlocked and unified. The real control is financial, which is exerted over the Commons by the government whips, and over the administration by *the Permanent Secretary who is the supreme head of His Majesty's Civil Service.*

The importance of the Treasury in its relations to the government and to the Civil Service cannot be overrated. In spite of the imposing array of offices and the complexity of the financial and political relations, the facts are simple. The government is a

'collectionist' designation for the Prime Minister and the members of the cabinet, in practice if not in theory. Not only are the ministers usually ignorant of anything but the financial facade, but the financial sovereignty of parliament was handed over in 1694 to a private company, which has since become an international concern.

From all this flow certain consequences. The members of the government are in the hands of the permanent Treasury officials so far as purely financial matters are concerned. Since parliament has resigned a vital portion of State sovereignty, which is the power to create its own credit, the government finds itself in the unbelievable predicament that it is not permitted within its own realm to create such money as is required to finance essential enterprises, but is under the necessity of scrambling for what it can get after the financial mechanism has assigned the limits and has had its due.

The Treasury also determines the scope and nature of legislation so far as that requires money, and there is reason to suspect that it influences legislation even where no monetary question is directly involved (e.g. in deputed legislative powers). In practice almost all legislation involves money and hence before a bill is put forward it must first be passed as financially possible by the Treasury officials. The question of financial possibility may have nothing to do with the views or opinions of these officials, but it is usually related to the amount of money available at the time.

In this sense the tail wags the dog, and money, which ought to be the servant of government, becomes master. This inversion is also aided by the 'myths' commonly fostered as to the great officers of State such as the Chancellor of the Exchequer, the Ministers at the head of education, the Board of Trade, labour, transport, and the rest. We see them "taking office" and "being responsible" and "making a mistake," and finally "being sacked" when when they ruefully leave office, in all respects like our humble selves. Of recent years, it is true, suspicions have crossed the public mind. When an ex-coal miner suddenly assumes the leadership of the Admiralty, an ex-lawyer that of transport, and so on, and when, all having been sacked for "mistakes," they appear again in differed offices, and keep on doing this with dismal regularity for years, it is clear that there is something amiss.

The fact is that these titular heads with a brilliant exception now and then, are either the genuine members of the oligarchy or parliamentary figureheads who say their pieces as directed by the permanent officials of the Civil Service.

One of the grimmest jests in this respect must be the "balancing" of the budget. One can almost see the unfortunate Chancellor of the Exchequer at this grisly task each March. He has a large bag full of paper, pencils and rubbers. There he sits in acute anxiety, with the keys of the Treasury in his hip pocket, vainly trying to make ends meet, but at last succumbing to the painful necessity of another 6d on the income tax, 2d on beer, and so on. Then he proceeds to the House to repeat this sort of thing: "I was unable to see my way to reduce . . . etc. . . . etc. . . . but on giving full consideration to ... I have seen fit to increase . . . ."

The fact is that the whole budget is prepared long beforehand by a first rate body of experts, who simply tell the Chancellor what is possible and what is not. No doubt the latter is free within certain limits to pursue policies and make trifling suggestions, but the underlying facts are clear. The first consideration is the sanctity of debt, and hence the first charge is the interest on the National Debt. Then come the expenses of collection. Next come payments for the Big Stick of police, military and administration, and lastly the Social and other Services. The total is determined by the exigencies of finance and never by the needs of the government.

(b) TAX COLLECTING. The branch of the Administration next in power to the Treasury is the tax collecting, which is determined by the Treasury in collaboration with the Bank of England. Again the government is not sovereign, but has to bow to the necessities of the money system. When the debt was relatively small and there was little administrative interference, the Civil Service was a minor and inconspicuous necessity. But as the debt increased and debt charges became financially important, the collecting machinery grew larger and more complicated. The increasing debt at the same time decreased purchasing power, and propagated unemployment, bad trade, competition and bureaucratic interference.

We can picture a debt free social mechanism as a small highly efficient engine giving out all the external energy needed and losing



little in internal friction. But debt dries up the machinery and makes it inefficient. The mechanics, not understanding the trouble, raise the steam pressure, test various flywheels, tinker round with the valve gear, and add gadgets everywhere. The end result is that even with the greatest input of steam, the unfortunate engine barely manages to turn its own parts and so it cannot be harnessed to do external work without risk of breakdown.

Translating this into other terms, the social apparatus is about to break down owing to the handicap of debt. This handicap creates disorder amongst producers and consumers, and thus largely compels the addition of the two other branches of the Administration, viz., the 'Public' and 'Social Services.'

As to the tax collecting, this in theory exists to get money for the government. So it does, in one sense, and in doing so demonstrates that the latter is not financially sovereign, because if it were it would not need to resort to such a method. It could easily create all the money needed for its own purpose, and this, as we have seen, was the considered view of Abraham Lincoln.

Tax collecting has two functions, both of which are devices to centralise power and destroy the sovereignty of the individual. One is the collecting of money to finance the 'Public' and the 'Social Services.' The other is the collecting of money to pay interest on the national and local government debts.

It is interesting to note the proportions of the two payments. Thus in the years 1931-1936 the total rates raised in England and Wales were £593,024,000 and the loan charges were £389,714,000. Thus 65 per cent. of the local rates went in loan charges and only 35 per cent, on genuine local administration. (This omits the government grants, Sales and Miscellaneous Income, in order to show the proportion of rates collected which were paid out in loan charges and social services respectively.) The percentage of loan charges to the whole revenue from all local government sources is about 20 per cent., though it has been higher in the case of government taxes relatively to national debt.

The process of taxation can best be understood when we remember that the financial mechanism creates a reservoir of money for the use of the people of Britain. Some of this is needed for private persons and industries and the rest by government departments. Taxation is simply a lowering of the quantity in the

reservoir and is not, as is often supposed, a device for raising the amount.

Suppose 'social services' cost £500 million yearly, then the sum is removed out of the financial system to pay for education, clothes, insurances, for the subsidies of food, for medical and pension schemes.

This means that the public is deprived of £500 million of purchasing power. This is spent ultimately on its behalf, but it has two drawbacks. It is spent not necessarily as the individual wants it but at the discretion of officials and in accordance with bureaucratic methods; and it is not spent entirely on these objects since part goes to pay the salaries of officials and expenses of administration. If the government created its own money, it would not need to rob citizens in order to pay them back less than it originally took from them.

Major Douglas points out that taxation is not a financial device but a tyrannical one. The system of income tax is a pernicious variety of a tyranny whose rigours are not softened by the official description of the extortioner as "your obedient servant." This branch of tax collection possesses almost unlimited powers. Its greatest power, curiously, has escaped comment. It is the power of the bureaucracy to raise the tax to any level at its sole discretion. There is no power, however, to assess the Bank of England; but every detail of the affairs of private persons can be subjected to official scrutiny. There is also a department which not merely acts upon secret information as to supposed defaulters but is reputed to recompense informers on a fixed basis.

Taxes such as death duties or land taxes are also special devices for centralizing power. It is a variety of the Money Myth to believe that there are what are called millionaires, who die and leave millions of pounds of money. Nothing is farther from the truth. Yet all publicity methods connive at this deception. As many people are ignorant of such matters it will be well to remind them what in reality is meant when someone leaves a million pounds. He departs to the next world leaving behind him his body and certain properties and rights of which he was the owner. He may have been the active head of an industrial concern whose success depended largely on him, and of whose shares he held the majority. At his death the government accountants find that he has 500,000 of these whose estimated market value was £2 each. By a legal

fiction, therefore, the deceased died and left £1 million. Actually he may have left only a few pounds in cash or in a bank deposit, but the government demands of his executors 50 per cent. of the "money" to be paid by way of a estate duty.

Thus they have to find the £500,000 for this payment. But since the deceased left little or no liquid money, the sum has to be raised by devices which either damage the efficiency of the business concerned, or put it into the hands of banks or other creditors, and sometimes do both. A similar state of affairs results when a large landowner dies.

This is not of course a plea for millionaires or large landowners, neither of whom ought to exist; but it is a plea to readers who, being deluded by 'myth' conceptions of money, imagine that such taxation has a reasonable basis, whereas its purpose is centralized power and its consequence ruination to the community.

In addition to these direct modes of taxation there are the indirect modes chiefly through prices. These too centralize power and they can never be other than unjust. They blind people to their true nature and purpose, and in the end it is always the consumer who pays. He pays thus when articles are taxed through tariffs or by direct impositions on retail prices. He pays indirectly through rates. Thus suppose a shop is assessed at £1000 per annum and the owner pays £750 by way of rates, it is a legal fiction to suppose that this money comes out of the pocket of the owner. It can only come out of the pockets of the consumers who pay enhanced prices for every article purchased in that particular shop. In the end the same holds for income tax, though here there is a higher degree of personal deprivation.

The existence of taxation and the docility of the taxpayers have their origin in the Money Myth. Those who hold to this illusion believe that taxation is inescapable because there is no other way to obtain the needed money. There is no other way under our present financial mechanism, but taxation under a Free Money system would either be unnecessary or so small and equitable that no one would object to it. Thus, there would be no interest on debt, no 'Social Services,' and the minimum of administration; and, if Free Money were universal, a negligible amount for the Big Stick.

From 20 to 40 per cent, of taxation is directly debt created through debt service charges, and a further percentage is derived indirectly through debt generated deficiency of purchasing power in the hands of consumers. Taxation not only does not increase such money as exists, but it decreases it through bank cancellation and the creation of a vast army of officials who are parasitic on the producers and in fact saboteurs of industry.

The effect of taxation through 'usury' can be seen throughout history. It creates two sections of the community—the private citizen whose products and money are increasingly appropriated to support the officials, and these officials, who, in theory his servants, yet live off him in conditions of security for which he can never hope. Taxation is fraudulent and tyrannical and is the weapon-in-chief for the destruction of individual sovereignty. Its facade is the providing of money for government; centralised power is the real building and force is its foundation.

It is supposed to exist and to be justified in a democracy because it is imposed in accordance with the "will of the majority." It is not certain what such an expression means, but it certainly does not mean that the majority of people, if asked whether they wanted to be taxed or not, would answer in the affirmative. Indeed, if anyone desired to be taxed, this ought to constitute an issue for the opinion of an alienist. Taxation is not desired by anyone but is tolerated only because of the existence of the Money Myth; and when that is uprooted the citizen will see for himself that taxation is simply a device for the destruction of Individual Sovereignty.

(c) THE 'PUBLIC SERVICES.' These are an indispensable part of any organised State and include Public Health services, the Board of Trade, and the many other Ministries, such as Transport, Air, Food, Information (!), National Service, and so on. Under 'Free Money' these, or some of them, would exist in a modified form, but under 'Debt Money' they are mostly gadgets added to the engine of society in the hope of improving output and efficiency.

They are for the most part brought into existence as the collapse of society approaches, with the ostensible purpose of assisting production and distribution. They are in fact the result of debt and operate in a variety of ways.

The chief of these will soon be the "nationalisation" of all the major industries. While they may not be an official part of the

Civil Service or run on Civil Service lines, they are nevertheless essential features of a centralised Administration.

Another device is the various Marketing Boards which began with the Empire Marketing Board in 1926, to be followed quickly by others for milk, potatoes, herring, pigs, eggs, and what not. These Boards are not officially parts of the Civil Service either, but they operate along similar lines and are likewise part of the Administration.

Then we have the various Administrative devices of price pegging, subsidies, quotas, tariffs, pacts, and the innumerable rules as to rates of pay, priorities, hours of work, and the like.

All these methods are conditioned solely by the existence of a debt economy. They are ostensibly expedients to help producers and distributors who could not carry on otherwise. But they do not cure the evils by any means. The final outcome of them is disastrous. They stupidly interfere with men who know their jobs and would get on with them if only consumers had a sufficiency of purchasing power. They cause a growing increase in debt and end in subsidised inefficiency under which men waste time filling in forms and suffering endless trouble and exasperation, with the sole purpose of attempting to keep going a piece of social machinery long overdue for the scrap heap. They constitute one of the chief devices for the destruction of freedom and initiative, and for the sustaining of Centralised Power.

(d) SOCIAL SERVICES. These are the same form of tyranny exercised directly upon private citizens. The existence of the so-called services is one of the classic symptoms of the decay of civilisation, and so inverted have men's minds become that they actually regard them as a measure of civilisation! Nothing could be farther from the truth. The real nature of these services is proved by the fact that no one whose income was sufficiently high would ever think of receiving them. Whoever heard of a man of the upper middle classes who preferred to send his children to State aided school, who would attend clinics, put up with welfare workers and their questionnaires, or tolerate the petty indignities necessary for the receiving of pensions, medical and sick benefit and so on?

It is significant that as soon as a man's income sufficiently rises he gladly gets rid of these humiliations and interferences. In

receiving social services he knows that he is deprived of his freedom and of the satisfaction of proper personal relations simply because he has not enough money. It is unquestionable that in any country Social Services are pathognomonic of debt servitude.

The criterion for the community should be the standard of services available to the man of means. If we have people with technical skill in law, medicine and the like, and individuals are deprived of their services because of lack of money and yet are able to get the same services through State aid, this is tyranny. In both private and Social Services the people get professional help from the same technicians, at approximately the same ultimate total cost. The difference is that in the one case the payment is made by those who receive the services and in the latter case it is made by a Centralised and generally inefficient body acting collectively on behalf of those who receive the services. The difference is profound, and indeed cuts right across human nature, with its need for individual sovereignty, and for its demands on personal responsibility.

Social Services are part of a vicious circle of events. Lack of money causes the physical want, the ill health, and the ignorance which are responsible for calling such services into existence. Do away with these evils and the need for social services would virtually disappear. The proof is indisputable. The rich never need them and would never think of wanting them. These services are not the result of political theories or even of idealistic aims for society. They are the baneful and inescapable necessities in the disordered State of society which results from debt. They are the bribes by which the poverty and disease-ridden lower classes are temporarily weaned from open revolt. They are the direct result of the money mechanism.

Let us now see why the 'Public' and 'Social Services' are unworkable and inefficient. The cause lies in two things—in human nature and in the methods of government employment.

Government employment differs fundamentally from private employment. In the latter the conditions are slowly deteriorating and approximating to the governmental type by reason of the existence of trade unionism and the tendency to large combines, which as we have seen both result from money pressure. In free and unfettered employment an employee is engaged by his employer

on known and recognised conditions. Each is free to dispense with the other at any time. Under such terms of work the employee has a large measure of sovereignty.

But in government work the conditions are totally different, and the same applies to local government, or any other official body which uses the same technique.

There are four points at which government employment differs fundamentally from civil employment, and these differences are essentially financial in origin.

To begin with, the employees from highest to lowest grades are initially chosen by a competitive examination system. Since the system is of necessity a purely mental filter, it overlooks the innumerable other and more important characteristics which together comprise human nature and which, much more than the mental equipment, make or mar efficiency. Furthermore, at least in the higher ranks, this examination test is applied so that those conditioned by the classical tradition are most acceptable.

Having then been admitted on an examination basis, the official promotion is determined by methods which are again at variance with those normal to civil life. Either there are more examinations or the candidate's progress depends upon the official reports and opinions of his immediate superiors.

Here we reach the final crux of the matter. The Permanent Secretary to the Treasury is not only the absolute head of Civil Service, but the Treasury is in absolute control of every branch of the service. It exerts this chiefly because of the Treasury official's power to appoint the chiefs and seniors of the other branches, and to determine how the money allocated to these branches shall be expended.

This exerts a unilateral pressure which is peculiar to such a type of official control. In civil life, say, in a retail store or a manufacturing concern, the proximate business of both employers, technicians and managers, is to satisfy the consumers. But in the Civil Service the business of all the employees is to please the satraps of the Treasury.

This necessity conditions another device which also differentiates government from civil employment. It might be called the device of delayed emoluments, and consists in paying a salary so spread out as to cover holidays, sickness and, finally, retirement.

The technique of delayed emoluments is chiefly a financial trick to secure absolute and unquestioned obedience on the part of the government servant; and it is primarily necessitated by the fourth and last device which separates official from civil employment, which is the necessity for routine procedures based on the Myth of Action. We might classify the differences between free and unfettered civil employment and that of official employment thus:—

- (1) Entry by competitive examinations.
- (2) Promotion by further examinations or by the necessity of satisfying superiors whose aims and interests are not those of the public at large.
- (3) Work to be done according to a code of procedure designed by and in the interests of centralised financial control, and based on the Myth of Action.
- (4) Complete obedience to superiors by the device of delayed emoluments.

It is almost unnecessary to add that in so far as civil employment is at the mercy of centralised financial control, to that extent it too comes to be more and more in line with governmental employment.

There is, however, one additional handicap suffered by the unfortunate civil servant. He is in theory responsible to parliament, whose members can scrutinise his every action. The technique employed by M.P.'s is to ask questions of the titular head of the particular department concerned.

Only those inside the Civil Service have any understanding of the absurdities imposed by this grotesque system, which, although it may at times subserve the liberty of the subject, is much more likely to be used for political propaganda. It is in any event based on the myth of personification that Parliament is responsible for the actions of its servants!

The technique imposed by the conditions of government employment under the control of centralised financial power is, therefore, in a high degree destructive of the true end of human society.

This is, of course, not to belittle the civil servant. Cheap capital is regularly made out of personal criticism of government officials. The truth is that the civil servant is none other than the ordinary citizen. While the conditions of service filter out a special population, it is in the long run the need to make a living that compels such numbers of people to endure their lot.



They receive financial security of a sort, in return for work which is in most cases the complete negation of activity, in proof of which are the discontent and cynicism which exist in all government employment. The civil servant is compelled, in short, not to act rightly, but merely to abstain from acting wrongly, which is, of course, an example of the Veto Power of Money.

Where men are employed doing footling routine work under a mass of footling rules, discontent is inevitable, because there is no outlet for the expansion of the individuality.

All government servants are in the grip of a system which must be subserved, even though at the expense of other people's liberty. All cooperate towards impersonal and very often unknown ends by official methods, whose efficiency is generally a direct measure of the final chaos they impose on society.

This system is the negation of everything to which men aspire. It is the antithesis of growth. When officialdom is imposed on society from above it causes a creeping paralysis of action which works its way into all the parts and members until death justly overtakes it. It is the paralysis of debt, which has struck down every civilisation that took to 'usury.'

Governmental control palsies the body politic not only by its technique but by its effects on the private citizen. It does so because human nature is outraged by it. In time to come the efficiency of government will be measured by the infrequency of its interference and the paucity of its laws. But when torrents of laws are accompanied by innumerable interferences with the people, the result is individual opposition. When the irresistible power of authority is recognised, the next stage is that of a growing and ominous apathy. This is the situation in almost every country to-day. It is not indifference, but a sullen resentment and resistance at every point which puts the brake on the social machine and slows it up. The final result is always the destruction of genuine government, and this disaster can be seen in recurring cycles throughout recorded history.

Central authority acts disastrously on human efficiency. The community is at all times dependent on the enterprise, courage and ingenuity of a few men. It is these qualities in such men which alone have created the triumphs of art, learning, science and

industry, which make for civilisation. Such men are suffocated under centralised power, and as government employees would not last a week. Yet our society is threatened with greater extension of planning from above, more officials, and the multitude of docile duffers, all to keep the Mechanism of Money in a semblance of going order.

(e) RATIONING. This is a new and special variety of the Social Services, but from its magnitude and importance may well be considered separately. It is yet another device of Centralised Power whereby the citizen is acutely limited both as to quality and quantity in a steadily increasing range of consumer goods. The specious excuse for rationing is, of course, scarcity, together with its laudable object of ensuring an equitable distribution among all sections of the community.

Regarding the latter object it may be said at once that the wealthy and powerful will always get more than their share, and so do many producers and distributors. As for the scarcity excuse, one asks what has caused the scarcity. It is ascribed to the war by a persistent propaganda; but during the war there was no scarcity of anything except perhaps the cheapest and most easily produced commodity of all—human beings. That there is now a growing scarcity is almost entirely due to the breakdown of the internal, and, especially, the external currency systems everywhere, whereby trade, and chiefly foreign trade, is frozen up.

There is nothing more troublesome to centralised authority than a money system which confers individual sovereignty on the possessors of money. Rationing is clearly a device for the destruction of that sovereignty and, as such, will play, as it now does in Russia, an all-important rôle in State regimentation.

(f) THE (DEPUTED) LEGISLATIVE FUNCTION. The Administration has been described as consisting of six functional parts, and no understanding of its power is possible unless the reader has a grasp of this (sixth) legislative aspect. The situation was put so powerfully by the late Lord Hewart in "The New Despotism," which was published in 1929, that nothing better could serve our purpose than to quote freely from this work. Firstly, let the reader recollect the person and status of the author. "The New Despotism" would have been a remarkable and solemn warning whoever wrote it, but it was the work of the Lord Chief

Justice of England, the second highest member of the Judiciary. As such it was his life's business to observe the workings of the law, and to have first hand knowledge of the rôle of Parliament and the Administration. It was surely a testimony to the urgency and gravity of the situation that such a personage thought it necessary to communicate his views to the public at large.

In his book, which every citizen ought to ponder, we note the considered opinions of an authority who was at the same time a lover of England and a supporter of law. Here is nothing inflammatory or fanatical, but chill, incontrovertible pronouncements on the law and administration of Britain.

The book begins (p. 9) with a statement which deserves to be quoted in full. (Italics mine):—

On the 22nd December, 1925, there was added to the Statute Book an Act of Parliament, entitled the Rating and Valuation Act, 1925, which fills 90 pages in the authorised edition of the statutes. It is described as an Act to simplify and amend the law with respect to the making and collection of rates. The marginal heading of section 67 of the Act consists, pleasantly enough, of the words "Power to remove difficulties," and the section provides that if any difficulty arises in connection with the application of the Act to any exceptional area, or the preparation of the first valuation list for any area 'or otherwise in bringing into operation any of the provisions of this Act,' the Minister 'may by order remove the difficulty.' More than that, the Minister may 'constitute any assessment Committee, or declare any assessment committee to be duly constituted, or make any appointment, or *do any other thing*, which appears to him necessary or expedient for carrying the Order into effect.' It would be difficult to imagine more comprehensive powers or more remarkable legislation. The Act of Parliament not only, in terms empowers the Minister 'to do anything' which he may think expedient for the purpose named, but also in terms empowers him, if he thinks it expedient, to make orders which 'may modify the provisions of the Act of Parliament itself'.

It will be noted that this extraordinary departure from precedent was occasioned by a Bill to deal with rating and valuation! Lord Hewart then (p. 11) makes this observation. (Italics mine):—

A little enquiry will serve to show that there is now, and for some years past has been, a persistent influence at work which, whatever the motives or the intentions that support it may be thought to be, *undoubtedly has the effect of placing a large and increasing field of departmental authority and activity beyond the reach of the ordinary law . . .* The citizens of a State may indeed believe or boast that, at a given moment, they enjoy, or at any rate possess, a system of representa-

tive institutions, and that the ordinary law of the land, interpreted and administered by the regular Courts, is comprehensive enough and strong enough for all its proper purposes. But their belief will stand in need of revision if, in truth and in fact, *an organised and diligent minority*, equipped with convenient drafts, and employing *after a fashion*, part of the machinery of representative institutions, is steadily increasing the range and the power of departmental authority and withdrawing its operations more and more from the jurisdiction of the Courts . . . .

Many persons of course have from time to time perceived and deplored this particular mischief. But, somehow . . . they have passed by, like the prudent I. evite, on the other side. Or they have been content to say that "after all, people get the kind of government they deserve," *wholly refusing to recognise the power of a skilful and organised minority* . . . . But to the impartial eye of the fearless citizen it is obvious that the official just as surely seeks to escape the jurisdiction of the Courts when he takes power to make regulations having the force of a statute as when he in terms provides that his decisions shall not by any method be open to review. It is no less obvious that, if such an endeavour were the isolated act of an ingenious individual, its consequences might be almost trivial.

*But other considerations apply if a mass of evidence establishes the fact that there is in existence a persistent and well-contrived system, intended to produce, and in practice producing, a despotic power which at one and the same time places government departments above the Sovereignty of Parliament and beyond the jurisdiction of the Courts* . . . .

(p 16):—

It is not merely that in this instance Parliament is being outmanoeuvred, or that in that instance, the courts have been defied. *It is that the whole scheme of self government is being undermined* . . . . in a way which no self respecting people, if they were aware of the facts, would for a moment tolerate. When it is further understood that . . . . the greatest achievement and enduring pride of our history and institutions are precisely to have exhibited to the world . . . the art and practice of self government . . . the true dimensions of the present issue, *and the true nature of the assault* which is being resisted, become reasonably clear. Much toil, and not a little blood, have been spent in bringing slowly into being a polity *wherein the people make their laws, and independent judges administer them*. If that edifice is to be overthrown, let the overthrow be accomplished openly. The old despotism, which was defeated, offered Parliament a challenge. The New Despotism; which is not yet defeated, gives Parliament an anaesthetic. The strategy is different, but the goal is the same. It is to subordinate Parliament, to evade the courts, and to render the will, or the caprice, of the Executive unfettered and supreme.

No one, recalling the "much toil and not a little blood" of the history of these islands, and remembering the status and person of the writer of these views, can read them without fear.

Lord Hewart makes a starkly vivid statement of what has happened to our liberties at the hands of our administrators. His book should be taken to heart by all who have any interest in the immediate future not only of our own people, but of those kindred peoples beyond the seas and of the African and Asiatic subjects of the King.

We are bluntly informed that a powerful and organised minority, even in spite of attempts by Law Officers of the Crown, and the Treasury Solicitor and parliamentary draughtsmen to prevent or mitigate their actions, has subordinated Parliament, evaded the courts, deprived the King's judges of their powers, and rendered the will of the Executive unfettered and supreme.

Who constitute this powerful and organised minority or in what or whose interests they act we are not informed, but there should now be no difficulty in answering these questions.

Lord Hewart then goes on to deal with these basic matters of our Constitution—the Sovereignty of Parliament and the Rule of Law, and proceeds to show that both have been degraded. While the power to decide matters of a judicial nature is given nominally to the Minister or other head of a government department, whose decision shall be final and conclusive, he shows that in too many cases the Minister never hears of the matter or the decision, that the official who comes to the decision is anonymous, and, so far as the public are concerned, unascertainable; and that he is (p. 43)

not bound by any particular course of procedure, unless a course of procedure is presented by the department, nor is he bound by any rules of evidence, and indeed he is not obliged to receive any evidence at all before coming to a conclusion. If he does admit evidence, he may wholly disregard it without diminishing the validity of his decisions. There is not, except in comparatively few cases, any oral hearing, so that there is no opportunity to test by cross-examination such evidence as may be received, nor for parties to controvert or comment on the case put forward by their opponents. It is apparently, quite unusual for interested parties even to be permitted to have an interview with anyone in the department. When there is any oral hearing, the public and the press are invariably excluded. Finally, it is not usual for the official to give any reason for his decision.

This grotesque travesty of law the author rightly calls "administrative lawlessness." The general reading public will not unfortunately, have much opportunity of knowing about this nefarious system since its workings concern relatively few people,

but its results concern everyone. It is in the extensive domain of the Social Services and those departments which regulate or supervise industry that the evils are greatest. (p. 30):—

It may be said that there is no substantial ground for the fear of unfairness or corruption in the Civil Service. As to unfairness, people who have had disputes with public officials may sometimes conceivably hold a different opinion. As to corruption, that is a vice from which the Service is completely and undoubtedly free.\* It is of vital importance that it should so continue. But if there were any great extension of the system of giving uncontrolled and arbitrary powers to public officials, it is as certain as that night follows day that corruption might creep in. The bureaucratic despot we already have. To take a simple instance, the treatment of the panel doctors under the National Health Insurance Act is pure despotism. The doctors are liable, at the mere discretion of the official who acts for the Minister of Health, to be ruined professionally by being struck off the panel, or, as a lesser punishment, to be fined to an arbitrary extent. In one instance, a fine of £1,000 was imposed on two doctors who carried on business in partnership.

These arbitrary legislative powers have given

detailed control of matters connected with local government, health, education, industry, housing, and so forth.

and have produced a volume and variety of rules and orders which makes it impossible for any single brain to comprehend, far less remember, more than a fraction of them. In 1920, for example, the total of these rules and orders officially registered was 2,473!

As to the method whereby this ill-digested legislation is enacted we find (p. 98) a quotation from an article by Sir Lynden Macassey, K.C., which states:—

Government bills are forced through Parliament under the pressure of the government Whips (i.e. the Treasury, T.R.), there is little time for discussion of their provisions either in the House or in Committee; legislation is passed in the most general terms and left to some government department to apply as it thinks fit under machinery or rules to be made by it; the Cabinet is therefore in a position through its member at the head of the government department to embark on a particular policy which has never in any detail been discussed in Parliament or communicated to the public. If the action of the department is challenged in the House, the government can say, as has been done, that the action of the department is fully within the powers conferred upon it by the Legislature. Not merely in Great Britain, but in the Dominions, there is a rising feeling of hostility to legislation by government departments, except in cases of plain necessity.

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\* Written in 1929.

On p. 150 we find this comment:—

The reasonable citizen may well be tempted to ask the question: For whose benefit and at whose request is this mountain of statutes, and this still greater mountain of rules, orders and regulations, built up from year to year?

But if we suffer astonishment and anxiety in contemplating the situation as portrayed by Lord Hewart, what shall we say to the Emergency Powers (Defence) Act of 1939! This Act was rushed through Parliament in an afternoon and was an egregious example of delegated legislation and—as the Lord Chief Justice aptly called it—Administrative Lawlessness.

Amongst other things it was stated that any Act of Parliament *may be amended, suspended, or applied with or without modification*, which is equivalent to conferring on the Administration those final and absolute powers which are the inevitable outcome of the forces now moving society. The essence of this Act was the conferring of power on the government to make any regulation it liked. In due course a great many were made, touching the citizen at every point of his life. Thus, the government virtually abrogated the privileges of freedom of speech, freedom of association, and freedom from arrest, and took upon itself powers to acquire at its discretion any property or undertaking and the service of anyone it saw fit to require.

The Secretary of State had power to detain any suspected person at will, thus giving him quite arbitrary powers of arrest and imprisonment, Habeas Corpus Act notwithstanding; but a furious outcry caused this and some other regulations to be modified, although not to any great extent.

One of the worst regulations, and one under which many people were detained in prison without trial during the war years, was that of giving power to detain

any person regarding whom he has reasonable cause to believe that he has been or is a member of, or that he has been or is active in the furtherance of the objects of, any organisation as to which the Home Secretary is satisfied that it is subject to foreign influence or control or that persons in control of the organisation have or have had association with persons concerned in the government of, or sympathise with, the system of government of any power with which His Majesty is at war.

There were other powers also which made it an offence to endeavour by voice, pen, or otherwise, to influence public opinion

in a manner likely to be prejudicial to the defence of the Realm, or the efficient prosecution of the war.

The danger of such powers is at once evident and they have been used on flimsy pretexts against pacifist and other legitimate activities. The penalties imposed on conviction under these and other recent acts are not the least extraordinary parts of them, there being savage periods of imprisonment and enormous fines (£500 being a common figure for quite trivial offences), or even both imprisonment and fine.

It is worth noting that until the Administration assumed its present importance fines were on the whole trivial and used for trivial offences, while serious offences merited imprisonment. But the great volume of delegated legislation and the Administrative Lawlessness call forth so much opposition that excessive penalties are necessary and the most heinous crime is defiance of the State. Centralised Power, in other words, demands the most powerful sanctions, and these, as we should expect, are generally financial ones. As a current example, the bakers who were rebelling against the Food Minister's bread rationing proposals were threatened with a penalty of up to seven years' imprisonment and a fine of £5,000. In short, our rulers now realise that mere imprisonment as a deterrent is negligible and unnecessarily expensive compared to monetary penalties, and especially for the upper and middle classes, to whose members a large fine may spell ruin.

We have seen the 20 year old strictures of Lord Hewart; but what is the position to-day? It has, in fact, worsened out of all recognition; and the situation in Great Britain, in practice if not in theory, is simply a bureaucratic totalitarianism in no essential respect different from that which prevails in Russia, or did prevail in Germany under the Nazis.

Here are a few spotlights on the growth and methods of the Administration in 1946. In Whitaker's Almanac, first issued in 1869, the number of pages devoted to Government and Public Offices was as follows:

	Pages
1869 .....	8
1939 .....	80
1943 .....	101
1946 .....	106



Since the war ended the new jobs in the British Administration have mounted steadily and there are (1946) some 691,000 officials. The following departments have created new official posts as follows:

Treasury . . . . .	212
Ministry of National Insurance . . . . .	4112
"    "    "    "    (Pensions) . . . . .	8300
"    "    "    "    (Family Allowances) . . . . .	1719
Ministry of Fuel and Power . . . . .	369
Board of Trade . . . . .	6018
Ministry of Health . . . . .	515
Ministry of Labour . . . . .	655
Town and Country Planning . . . . .	376
Ministry of Works . . . . .	5591
Ministry of Education . . . . .	411
Ministry of Agriculture and Fisheries . . . . .	628
Ministry of Transport . . . . .	1041
Ministry of Civil Aviation . . . . .	579
Control Commission for Germany and Austria. . . . .	18,122

Then there is the question of delegated legislation. According to the "Sunday Times" (21/7/46) the number of officials who can sign statutory rules and orders having the force of law and against whom the citizen is impotent, is as follows:

Ministry of Agriculture . . . . .	24
Board of Health . . . . .	41
Board of Trade . . . . .	89
Fuel and Power . . . . .	38
Transport . . . . .	30
Supply . . . . .	13
Labour . . . . .	10
Scottish Office . . . . .	37

with a total of 314 for 18 departments.

The serious state of affairs which has thus arrived has been suitably commented on by Dr. C. K. Allen, Warden of Rhode House, Oxford, in a leading article of the "Sunday Times" for 2 June, 1946. Here is the essence of it:—

. . . the Defence Regulations look like being immortal. Many of them, obviously appropriate only to conditions of actual warfare, have been revoked by Orders in Council; but about 178 rejoice in a new lease of life. This has been conferred upon them by two principal measures.

The Supplies and Services (Transitional Provisions) Act, 1945, embraces an enormous variety of matters of 'production, distribution and exchange' —in fact, the whole economy of the country. Power to legislate in this field is conferred upon the Ministers in such vague and comprehensive terms that almost anything may fall within the regulations, and they are virtually unassailable by any legal means of challenge. The public has not yet realised how revolutionary was this enactment, which is entirely consistent with some of the Labour Leaders' long declared policy of government by decree. . . . The effect of the Supplies and Services Act is that, after a 'quarantine' period of 40 days, in which Parliament can move to annul them, the Regulations and all their subsidiaries and amendments become inviolable for five years. The true reason, among many specious ones, for this unprecedented measure was disclosed by the Lord Chancellor—namely, that the Government, sure of its majority in the House of Commons, would not risk let or hindrance in the House of Lords. The natural sequel to this Act is the Borrowing (Control and Guarantees) Bill, which confers *permanent* power on the Chancellor of the Exchequer to control investments. The second perpetuating Act is the Emergency Powers (Transitional Provisions) Act, 1946. It renews a large number of Defence Regulations, not concerned with 'supplies and services,' which otherwise would lapse with the automatic cessation of the Emergency Powers (Defence) Acts. The term of life is two years in the first instance, but it can be extended almost automatically under Expiring Laws Continuance Acts. Some of these Regulations are, by common consent, still necessary, but Members of Parliament inquired, without success, why the safety of the realm still demanded extraordinary powers for such matters as billeting, registration of new clubs, causing disaffection, unlawful gaming parties and raiding gaming houses. Not only the public but Parliament itself sometimes seems to be hardly aware of the autocratic nature of delegated powers. When the National Insurance (Industrial Injuries) Bill was being debated, there was indignant criticism from all sides of the House of the powers of inquiry granted to inspectors under the Bill. Yet at least four other modern Acts—three of them concerned with national insurance and one with factories—confer on inspectors inquisitorial powers which no judge, magistrate, or policeman in the land could arrogate to himself. The war produced what I have ventured to call the Ten Thousand Commandments, In the transition period the thousands grow into myriads . . . . It is not humanly possible for the Legislature, which is supposed to be responsible to the electorate for this kind of government, to keep abreast of what is being done in its name. Every new Act places a bewildering medley of powers in the hands of the Ministers. I have counted in the National Health Service Bill no fewer than twenty-six separate headings under which the Minister of Health is empowered to make not only regulations, but in many cases whole codes of regulations . . . . Most of the regulations will be such as 'appear to the Minister to be necessary and expedient,' which means, in effect, that once made they will be absolute . . . . They will not have been in existence long before they will have

spawned a brood of repeals, substitutions and amendments more numerous than the parent regulations themselves. Within a very short time neither doctor, hospital, nor local authority will know what to do or how to do it without consulting an intricate; voluminous, and constantly shifting code . . . . *Ex post facto* legislation is odious to our law and to most civilised systems of law. Three decisions during the war held that an amendment to an Order might make penalties retrospective. . . . This is now accepted as a general principle of delegated legislation. . . . By far the most serious objection to the present welter of executive power is that most of them are conferred on such broad terms, and are placed so completely at the discretion of the Minister that no review of it is possible in courts of law. The war has virtually killed the immemorial doctrine of *ultra vires*, and the peace merely embalms the corpse. Another attempt has been made recently to question a Minister's (or rather his delegate's) power to requisition premises at his uncontrolled pleasure but it has only shown once more how helpless the Courts are in this matter. . . . It is, however, only in very rare, circumstances that administrative action can be impugned on this ground (want of natural justice), and practically never that it can be challenged for unreasonableness or bad faith. All this is meat and drink to doctrinaires who (as a recent incautious observation of the Attorney General showed) regard impartial judicial review as a mere pedantic impediment to 'policy.' But does the ordinary citizen realise that he is being stripped of *the* defences which for centuries have stood between him and autocracy? As I was writing these lines there came into my hands an essay by the foremost jurist of America, Emeritus Professor Roscoe Pound. He has been a lifelong exponent of sociological jurisprudence and of 'social control' through 'social engineering.' To-day he utters, the most solemn warning against the havoc which is being wrought in American law and life by what he calls 'administrative absolutism.' If voices like this go unheeded then 'neither will they be persuaded, though one rose from the dead'.

Thus we see in its stark reality the new rôle of the Administration as the virtual law-giver, both in Britain and the U.S.A. Its power; vested in debt, whereby it becomes the dominating factor in legislation, industry, and the social services. It is thereby bailiff and sheriff-officer for the international moneylenders, in consequence of which the British Administration has dethroned the King, Parliament, and the Judges.

We have now studied the Administration in its first function here classified, i.e. in its rôles as Treasurer, Tax Collector, the purveyor of the Public and Social Services, and, last but not least, as Legislator. We shall now study its second function, which is Local Government.

## (2) LOCAL GOVERNMENT.

Now local government was at one time a very real affair. It was in fact what it appears at face value—government for local purposes; and it dealt with the police, education, roads, health, the care of the sick and the poor, and the utility services.

As the centralised power of finance was asserted, the texture of local government assumed a new character. This clearly appeared before the First World War but only reached formidable dimensions after that event.

The matter when seen in proper perspective is simple. No local government can exist without the expenditure of money, and the acquisition of this money means the creation of debt. The banks were not slow to realise the situation. Local government debt began to mount up by leaps and bounds, and with it disappeared in inverse ratio the power of local authority. Today there is none. The name is a mere euphemism to blind the unwary. All government is now central, not local, since almost all the money which determines and conditions government is also central.

The fact is that the Ministries of State, on various pleas and pretexts, have now complete power over all local undertakings.

We find a rough idea of what is happening from the following figures. The total amounts received by local authorities in England and Wales from rates were as follows:

1913-14. £71,276,000 at 6/8 in the £, or £1 18 11 per head.

1939-40. £200,000,000 at 12/6 in the £, or £4 17 1 per head.

In addition to these monies raised by local rates a sum more or less equivalent was provided by the Treasury. Expenditure for England and Wales by the local authorities amounted to £568 million in 1935. At the same time all local authorities incurred debt, which for England and Wales for March 1936 totalled £1,451,000,000.

The question as to the identity of local government creditors is also of interest. Again it is difficult to get at the facts. There are grounds for suspecting that as much as 80 per cent. of local government loans are either held directly by banks and other financial institutions or indirectly in collateral security. Thus in 1938 the city of Cardiff had a total mortgage debt of £4,565,776, of which less than 10 per cent. was held by private individuals. £890,000 of the remainder was borrowed from other local

authorities, and the balance was held by financial institutions, and the Public Works Loan Commissioners (a branch of the Treasury).

The significance of these figures can better be estimated if we remember that the total annual (pre-1939 war) income of the people of Great Britain was about £5,000 million. If then the national services cost (pre-war) about £900 million yearly and the local government another £600 million, we see that the Administration then absorbed and expended £1,500 million annually, or about 30 per cent. of the total national income. The annual interest charges on the debt thus involved ran to about £300 million or more, and this does not represent the true total, nor does it make allowance for redemption. The fact is that the debt is irredeemable.

It should be said further that the technique of local government is indistinguishable from that of the civil services generally. The same officialdom, the same anonymity, the same extensive and dictatorial powers pervade the whole, and for our purpose we can regard them—as in fact they are—as one system.

### (3) THE JUDICATURE.

The judicature is an essential part of the administrative machinery, since its duty is to administer the law. The British system has certain peculiarities which differentiate it from, say, the American. It is a complicated organism built up over centuries into a well-founded system. It retains almost complete independence, and does not owe allegiance to a Minister of the Crown nor is it to any extent, except in its lower branches, involved in politics. It is supposed to be the stronghold of freedom and justice by reason of its impartiality, its independence, and its incorruptibility; and it is true that on at least some distinguished occasions the judiciary has manifested these attributes. Speaking generally and with certainty as to the higher branches of the judiciary, it is incorruptible, but it has been subverted by a less obvious method. It has, in short, been emasculated by the operations of Administrative Lawlessness and by delegated legislation; and its power has been further deteriorated by the necessity of making legalistic judgments based on a multiplicity of laws, precedents, and regulations which, dealing as they do with financial matters in general, are excessive, oppressive, or unconscionable, and must in the end strike at the roots of social order.

The most serious criticism of the judicature and of the legal system in general, however, is that its methods, like those of the Administration, are based almost entirely on the nescientic method, and this, as we should expect, is a Graeco-Roman heritage.

In the Enc. Brit. 11th Ed. under Jurisprudence, we read:—

Roman law . . . . is . . . . a body of rationalised legal *principles which may be considered apart from the state system in which they were developed*, and which have, in fact, entered into the jurisprudence of the whole of modern Europe *on the Strength of their own abstract authority*—so much so that the continued existence of the civil law, after the fall of the Empire, is entitled to be considered one of the first discoveries of the historical method.

It is true that Roman law differs in structure from English law; but the administration and structure of law in all countries with a European heritage are based on abstract principles and precedents.

The law is therefore a structure of 'unrealistic' abstractions. It is true that English common law (and the equivalent in other systems) which is based, or at least was based, on common sense, is not 'unrealistic'; but in civil law generally, where corporations, companies and other collections of persons are supposed by convenient legal fictions to possess the attributes of persons, the law is abstractionist in the highest degree.

It is when we turn to primitive (i.e. realistic) societies that we see a superior system of justice—superior, that is, as to equity. In such societies the situation under review is not judged according to abstract principles or legal fictions, or by precedents based on something which happened hundreds of years ago under a quite different state of society but by the facts as they bear directly under the particular circumstances of their occurrence.

We see well the absurdity of the application of these principles when English law is applied to "native" peoples. Tragic examples are to be found in many British native territories and the application of the English law of murder must be one of the worst.

Common sense judgments of the facts of each situation would not, however, suit the financial oligarchy; hence in countries where centralised power exists the law is purveyed by verbal hocus-pocus and legal abstractions.

All readers must have personally experienced these signal affronts to common sense and no doubt many examples will spring to mind;

but I cannot forbear to give one shining specimen of this legal roguery from the U.S.A.

In Judge Pecora's courageous book "Wall Street Under Oath" (Cresset Press, 1939) we find in the chapter entitled "How to live well on nothing a year" that the American Senate's committee of enquiry into banking in 1933-34 revealed that Mr. J. P. Morgan and a lot more of America's richest men had been paying no income tax! Mr. Morgan, in fact, paid none at all for 1930, 1931 and 1932. Neither did any of his partners, with the exception of a few who paid trifling sums.

How was this done? It was accomplished by an ingenious swindle arranged by some of the big banking corporations, and this was its essence. The U.S. government conveniently enacted the "principle" that financial losses on stock transactions could be set off against income tax. So Mr. Morgan and the rest, assisted by the best legal brains money could buy, proceeded each year to "sell" the necessary amount of stock at a convenient "loss" to their partners, wives, or other compliant relations. Furthermore, when at least some of these shufflers were arraigned by the government on a charge of evasion of tax, they were not convicted.

It is worth noting that at the Senate's investigation of Mr. Morgan, whose belief in his own rectitude was invincible, was accompanied by "his brilliant counsel, John W. Davis, sometime Democrat candidate for president and ex-ambassador to Great Britain" (p. 5, *op. cit.*).

How long, one wonders, are plain folk going to put up with these situations, wherein, by the aid of finance-suborned lawyers, subtle legal technicalities and loopholes, the real scoundrels can safely direct their devious ways through a maze of abstract principles?

The whole system of legal administration in every country dominated by 'usury' comes to be a cunning game of 'unrealistic' principle-making and dodging according to an accepted code of legal behaviour. It is, in fact, the debased equivalent of the mediaeval tourney, where financial barons, industrial knights, and such like, joust between bench and bar in the panoply of the courts.

The end results of this nefarious system of justice are fantastic and all concerned, from its perpetrators to the public, know that it is, by common sense standards and by elementary concepts of equity, a swindle. One has only to imagine what would happen

to Mr. Morgan and his like if such social malpractices were discovered in a community of Polynesian or African natives.

It is noteworthy that some of the sharpest legal intellects ultimately practise at the English bar. Such is the value of these men to the oligarchy that the most successful are reputed to earn £20,000 yearly. Such fantastic incomes are assuredly not acquired without a much greater return to someone; and their size is probably in inverse ratio to the justice done.

It is also significant that a number of these leading lawyers, whose salaries are almost exclusively derived from litigation involving monied interests, are always to be found in parliament, and usually obtain cabinet rank.

The plain truth is that the legal profession in general (and I am not here indicting the individuals composing it) is one of the vital mechanisms for the protection of the moneylenders and the vested interests of big business, industry and land; and a thoroughly efficient mechanism it has always been.

The much vaunted Roman law came into being because it was a necessary accompaniment of 'usury.' Like all law in usurious societies, it became the instrument of oppression for the exaction of tribute and for the maintenance of the sovereignty of the State.

#### THE 'OBJECTIVE' OF THE ADMINISTRATIVE MECHANISM.

It is popularly held and generally taught that the Administration exists (a) to provide the money necessary to run the country (b) to carry out the laws as promulgated by parliament and (c) to administer justice.

The facts, as we have seen, are widely different. While it is true that the Treasury procures the money required, it does not, as it should if parliament were sovereign, create that money. It long ago deputed that tremendous power to a private and semi-secret corporation, and now deposes it to an international concern.

The consequences are two-fold. The Treasury can only get what money is required by the various second-hand devices of taxation, which, far from creating money, actually diminish the total. In the second place, since the total quantity required cannot be obtained by taxation, either the national services have to be drastically curtailed, as in peace time, or fully maintained, as in



war time, by a prodigious enlargement of the total debt. Thus provision of money is merely a 'non-efficient objective' of Administration.

The idea that the Administration exists to carry out the law made by parliament is also a fiction. It is an apparent truth, since law-making is either conditioned by the financial limitations set by the Treasury, or is actually undertaken by the Administration itself.

The facts are indisputable. Of the totality of laws now in existence, the numerical majority have been made by Administration and not by parliament. The Administration's legislative function is an important by-product of its activities. It is therefore only partially true that it exists to carry out the laws *as made by parliament*, and this function can be regarded as a 'non-effective objective.'

The belief that the Administration through the judicature serve the ends of justice is another half-truth. To begin with, all financial status of litigants or accused persons is a very potent fact in the situation. As one eminent English judge remarked recently, "In this country justice is open to all—like the Ritz Hotel." The financial factors alone frequently render justice nugatory in spite of all judicial incorruptibility.

We are not here greatly concerned with the legal administration of the petty courts (the police, coroners, magistrates and other such courts both in England and Scotland); but if the sorry tale as unfolded in "English Justice" (by "Solicitor," Penguin Books) is true, and—in my own limited experience it is, then we are in these courts also a long way from either justice or equity.

What concerns us more here is the administration of the law, firstly as it concerns the monied and vested interests; and, secondly, as it concerns the citizen in his relationship to the laws *as now made and promulgated*.

We have seen from the evidence in "The New Despotism" how far justice is likely to be done in the latter situation. As for the vested interests, a short perusal of the public press will convince anyone that in law, as in most other realms, money is sovereign. Moreover, as judges have now to attempt the impossible task of administering delegated legislation and are powerless to defend the public against "administrative lawlessness," on the "principle" that the King can do no wrong, we can see just in how far the citizen

is now likely to secure equitable and just treatment. The judicature certainly exists to administer the law, but since it does so by 'unrealistic' methods, it is used in the end to suit the exigencies of the financial industrial mechanism and not the satisfaction of the individual.

The realities of the situation are now apparent. The Treasury acts as the focus and integrator of financial and political power. It is in theory the provider and controller of government finances, but quite clearly it is not sovereign in these realms, and its activities here are a 'non-efficient objective.'

In order to understand the correct rôle of the Treasury we have to remember that the creating of money and the more complicated operations of peripheral finance are mysteries to the party politicians. We may in fact take it as axiomatic that any man who really understood the true nature of banking would never become one of the Lords Commissioners. It is only too plain that a long succession of financial ignoramuses has occupied the eminent office of Chancellor of the Exchequer and all (like Mr. Winston Churchill, who "put us off gold" in 1925) were content to "leave it to the experts."

The present arrangement, whereby the Prime Minister and the government whips are the titular heads of the Treasury is a sinister one. I am not necessarily imputing conscious or deliberate dishonesty on the part of these politicians. In common with other members of the public, I have no reliable means of judgment, as the truth is carefully concealed at these political altitudes; but I am prepared to allow that there is no conscious plan at all and that the automatic operations of the Financial Filter are sufficient.

In any event the *intention* is obvious. The titular heads of the Treasury are *ex officio* the heads of the government, which means the party machine. Their power is enormous. The government whips exert what amounts to political omnipotence. They can, and do, throw out undesired bills, curtail the rights of private members, emasculate the few recalcitrants among the back-benchers, enthrone the power of the inner cabinet, direct the party machine, place successful political candidates and control honours, both political and titular.

Those who want some first-hand information should consult the booklets of Captain A. Cunningfiarm-Reid, the rebel and late

member for St. Marylebone. If his disclosures are correct, it is as if their omnipotence was exerted even over the choice of Prime Ministers—a view which would explain much in the history of the past twenty years.

The Treasury politicians after all are merely experts in the game of politics, not in the business of finance, and where this is concerned they are in the hands of the professionals. Of these, there are functionally interlocked varieties—one is the professional financier-economist, the other is the professional administrator.

The latter is represented by the Permanent Secretary to the Treasury, who is in complete control of the whole Civil Service. This potentate rules the entire activities of the Administration by the veto power of money. He controls and determines not only what is expended but sanctions the appointments of the highest grades of the service, and thus his prestige and power behind the scenes are prodigious. The professional financier-economist group is made up of a number of experts highly trained along orthodox lines, and where financial decisions are concerned their opinion is usually final.

Much play is being made now of the view that the Treasury controls the Bank of England. The latter is portrayed as the docile and almost sycophantic servant of the government. A word of warning is necessary on this point. Even if this situation were correct, far from helping us out of our difficulties, it would intensify them, because the Treasury officials have swallowed the bankers system, hook, line and sinker and have never produced one unorthodox idea.\*

The first realistic function of the Administration is therefore to integrate political and financial power. The second function is that of tax collector. This is exercised primarily to pay interest for and on behalf of a banking concern over whose policy the actions the government has a negligible control; and as local government is a deception, the collection of rates is also primarily to pay interest on debt.

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\* Since this was written, the Government has "nationalised" the Bank of England. This will, of course, intensify social problems and not assist them because the policy of international finance will become the Government one. See Appendix B.

The third function of the Administration is to control and direct the Public Services whereby the industrial mechanism is kept in a semblance of going order so that the ends of finance are thereby served.

The fourth function is to control and direct the Social Services whereby the Basic Needs of the vast majority of citizens are provided, to the corresponding detriment of individual sovereignty.

In order to sustain these four functions the Administration in peacetime as a whole collects, disburses, and absolutely controls about one-third (and by 1946 nearly half) of the total national income with the aid of a vast and growing army of non-industrial officials numbering (1944) already some 800,000\*, who are, as a class, separate and over against the private citizen, and who thereby constitute the chief channel of Centralised Power and the chief Instrument of oppression.

The growth of the Civil Service is ominous. The cost of the Public and Social Services in Great Britain was £36 million in 1901 (including Ireland), £504 million in 1936, and it still grows. In point of the numbers of its employees, who, it should be noted, are politically castrated, it now ranks as one of the chief industries (!)

The fifth function of the Administration, which appertains to it as a whole, is that of lawmaker, whereby it has usurped the official legislature, and this at the moment is its most dangerous rôle.

Now comes a matter which must be understood by all who desire to comprehend its workings. This is the kernel of the whole system, and, as we shall see, its very essence for centuries. It is the fact that the technique of Administration is 'unrealistic.' That is to say, it is accomplished according to the Myth of Action, by which an attempt is made to work abstract principles into practice.

It is amazing how this device has eluded observation for so long; especially since the "common people," who are alert to sense injustice and unreality, have always known of its end results.

This technique is applied identically in the domain of civil administration, in Sanctions, and, above all, in the judicature. Administrative technique, in fact, is simply the carrying out of laws and rules almost exclusively applied, not according to common

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\* The total of all civil servants was (1944) over a million. There is, in addition, the huge number of local government servants, numbering nearly a million, and all to be kept by the remaining producers.

sense, but according to nescientic principles operating downwards through a carefully graded and controlled hierarchy.

There is not a reader who has not been the victim of this pernicious technique, which is an abomination to human nature. What it comes to in the long run is, that the citizen is put in a situation which is plainly absurd. He knows it is so, and equally so does the official, but because the system must be worked accord to "principles," these absurdities and injustices multiply and flourish as centralised power extends.

We cannot sufficiently urge readers to understand the Myth of Action as it is used in the Administration. It is the device-in-chief by which men are bound to the bankers. It is the arch-priest of 'unreality,' and the essential ritual for the usurer's make-believe.

An examination of the legislative and administrative technique of any society in historical times will show a system run according to nescientic principles. It is, in fact, this method which fatally and fundamentally separates civil from government employment and which vitiates the official codes of procedure. To overthrow it will require a major revolution in a society which has been directed for over 2,000 years; but by no other revolution can men attain to social progress and stability.

When, therefore, we recapitulate the functions of the present type of Administration, we see that it does not primarily exist to carry out the laws as promulgated by parliament. Its correct function, from the point of view of power society with its enthronement of finance, is to act as bailiff and policeman for the bankers and to act as the grand instrument of tyranny for the centralisation of power in the hands of those who direct the financial mechanism. This it accomplishes by regimentation of the individual and by The Myth of Action, whereby it becomes the perfect servant of finance. Now putting these conclusions in a sentence, we may say that *the 'objective' of the Administration is to maintain the centralised power of finance, using the law to implement its decrees.*

Again it is true that this 'objective' is not, or at least generally is not, that of the individuals composing the Administration. These persons are merely seeking a means of livelihood; but this in no way affects the 'objective' of the Administration as a social mechanism which will be subserved whatever the personal aims and desires of those who operate it.

## *Chapter Sixteen*

### THE MECHANISM OF SANCTIONS.

#### ITS NATURE AND 'OBJECTIVE.'

Sanctions is here taken to include the police and the armed forces of the Crown.

THE POLICE FORCE. This organisation is commonly supposed to prevent crime and violence, and to detect and punish offenders.

A scrutiny of the facts docs not bear this out. The number of police is out of all proportion to the amount of crime, and it would be interesting to know just what percentage of police activity was devoted to strictly police duties. The most of these to-day consist in carrying out and enforcing the vast numbers of laws, orders, rules and regulations imposed mainly as a result of delegated legislation.\*

Then we observe the disquieting phenomenon which might be called the militarising of the police. Once upon a time chief constables were created from the senior officers of the force. These men had all risen from the ranks after long practical experience of police duties. They did not belong to the official or officer caste. Some years ago the practice began of appointing senior police officers from the ex-military. Amidst much dissent the Sandhurst method for the formation of officers from the upper middle "old school tie" class was also introduced.

This is certainly a change of policy whose motive remains an official secret. In view of the trend of recent legislation and the

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\* There are now in addition the new police known as enforcement officers.

sympathies of many of the upper and ruling caste of Britain, this militarising of the police is suspect.

The actions of the police are also a cause of anxiety in recent years. This is not necessarily a reflection on the integrity or character of the members of that force. They are sworn tools of a mechanism and are bound to obey instructions from superiors to see that the law is carried out. They are, of course, not only policemen but citizens with other allegiances, who may well require to carry out duties which they regard as distasteful if not actually unjust. The law has indeed placed the higher officials in a grave difficulty by entrusting them with such powers as cannot suitably be entrusted to the wisest men.

The situation is much graver since the recent war, for not only is there the Police War Reserve, but there is a large body of Special Constables, who are sworn in, and who to a great extent belong the better middle class. Let us suppose that a large number of citizens now endeavour to unite in association, by meetings, speeches, processions, and organisations, to resist what they regard as governmental oppression, the state of the law meantime is that these reasonable activities could be stopped at the discretion of a few Chief Constables, who would certainly not hesitate to call upon this formidable body of police now at the disposal of the authorities.

Readers who regard this as alarmist should study Mr. Ronald Kidd's book "British Liberty in Danger." Evidence presented in it shows the dangerous extent of the Emergency Powers Act of 1920, whereby the police have power to ban political meetings in the street, and processions, and under certain circumstances, public meetings; and whereby there are powers of entry, by force if necessary, into any premises; which is equivalent to a general search warrant such as was declared in 1765 to be illegal.

The Incitement to Disaffection Act of 1934 has other wide powers and amounts to a virtual censorship of the press which makes the publication of pacifist or anti-war literature a possible offence.

The Public Order Act makes it an offence to use threatening or abusive or insulting words likely to cause a breach of the peace for which the penalty on conviction is £50 and/or three months imprisonment. This Act has been used to stop heckling at public meetings.

There are many prosecutions resulting from what Mr. Kidd calls the mis-application of statutes, whereby the law is used in a manner technically legal but inconsistent with justice or common sense. The Obscene Publications Act, the Cinematographs Act and the Official Secrets Acts (1911 and 1920) have all been so used. The use of the latter became scandalous and readers will remember the case of Mr. Duncan Sandys who, a Member of Parliament, was nevertheless threatened with prosecution for having in his possession official secrets and for declining to divulge the source of his information as to a grave shortage of anti-aircraft guns and instruments. The point of this prosecution will now be evident to the inhabitants of London who have survived to reflect on the ordeals of 1940-41.

It will come as a shock to realise that what amounts to a dictatorship has virtually existed in Northern Ireland by the Civil Authorities Acts of 1922 and 1933. These delegate unlimited powers of search and seizure to the police and delegate to the Home Minister the powers to make new regulations which create new crimes at will. Habeas Corpus is suspended. Suspected persons are arrested on suspicion, there is no appeal against imprisonment, and cases may be heard "in camera." Moreover, persons imprisoned may be refused permission to send or receive letters or visitors, or even see a legal adviser. A prisoner's bank book may be examined and his money confiscated and death may be the penalty for offences other than murder or treason. These powers have been in use since 1922 and "are employed not merely to prevent civil disturbance but to check the activities of Labour, Communist, Trades Union, Catholic and Nationalist propaganda of a perfectly orderly character." (p. 58.)

It is clear from the statements and opinions so carefully presented by Mr. Kidd that a deterioration in the administration of justice and the treatment of accused persons is in being. This declension ended with the Emergency Powers (Defence) Act (1939) by which genuine civil liberty has been almost extinguished.

The gravity of this situation is not yet apparent since the national energies are meantime bent on recovery from the war, and it must be remembered that the power of the law is often greatest when there is no need to invoke it. Now that hostilities have ceased, it remains to be seen if, or in how far, our liberties will be restored. It is to be feared that the centralised power already achieved will



not be relinquished readily; and yet it is difficult to see how any orderly pressure can be brought to bear without an exacerbation of injustice and Official repression.

THE MILITARY. The armed forces are allied with the police in the mechanism of Sanctions, and we shall now consider the military powers. In theory these exist for the defence of the realm and for the maintenance in the last resort of civil order.

When we view the facts, however, we detect other 'objectives.' To understand these is not easy unless the reader is acquainted with history which includes the financial factors. No orthodox historian has so far attempted this, but enough has been published to leave no room for doubt as to the true nature of all European and indeed most other wars for several centuries, but especially since 1700. This is not to say that the "cause" of these wars was purely financial. The nature of cause in general will be dealt with but it is enough to realise that the forces involved are incomprehensible without a realisation of the money factor.

Take for example the Napoleonic Wars. The opinion of G. D. Cole in "The Intelligent Man's Guide Through World Chaos" is that these wars hinged round the commercial rivalry between France and Britain. He also gives the well known evidence that the World War was the outcome of the commercial rivalry between Germany and Britain. A writer on Napoleonic history from this angle is Dr. R. McNair Wilson, whose "Monarchy or Money Power" would repay study.

In "The Modern Idolatry" (Jeffrey Mark), p. 176, occurs the following excellent summary:—

Napoleon was the last great champion of the common people against the growing power of finance, as even a superficial study of his Continental System will show. The hostile forces that ringed him round and finally brought him to ruin were financed by usury; and, Wellington among them, were fighting usury's battle.

It cannot be too strongly insisted that finance and not territorial aggrandizement is the key to Napoleon's reign. Had the French Emperor consented to abandon his financial system in favour of the system of London—that is, in favour of loans by the money market, he could have had peace at any time. (R. McNair Wilson's "Napoleon's Love Story," London—Peter Davis, 1933.)

The Indian Mutiny was the direct result of the English loan technique and the necessity of finding an outlet for English-made goods. It was under Lord Dalhousie's tenure as Viceroy that the

benefits of civilisation in the shape of roads, ports, telegraphs, and so on, all financed by English capital, were introduced to India (vide "The Breakdown of Money.")

The Chinese troubles and petty wars of the same period were due to a similar exploitation of China and the desire to get trading facilities at certain ports. The Boer War had also industrial-financial incentives. What did the British army want to defend 6,000 miles away in South Africa? The answer is simple—gold and diamonds, but chiefly gold. The banking system of the world's largest industrial and money-lending power could not afford to let go its hold on the world's richest source of gold.

The Russo-Japanese War was also of an industrial-financial nature. It was indeed the first sign that Japan, now an industrial-financial nation, found herself under the same necessity of getting an export market and had decided on a policy, faithfully and successfully followed, of ousting Europeans from India and the Orient generally.

The nexus of forces in all these international wars is absolutely linked with the technical nature of the money mechanism. The situation amounts to this—that, under the debt system every country in the long run is bound to find a market for its exports outside its own "credit area."

This is not the sole factor, of course. There are other factors of an economic nature connected with access to raw materials, but basically these too are simply a part of the debt structure.

Can anyone, therefore, reviewing the unending sequence of wars from 1750 onwards, including the two World Wars, believe that the function of the armed forces is to defend the realm? Such an expression at once raises the question as to what constitutes attack and what defence. Even in the apparently simple case of attack by one individual on another, a fuller enquiry might show a reversal of the rôles. And if this is the case for individuals, still more is it the case for whole nations whose members may have no personal relations at all. For example, when the Red Indians in the early 19th century attacked the white settlers, who, of course, took arms in defence, which was the attacking and which the defending party?

The truth is that these words are regrettable abstractions which may express truth but which are more likely to obscure it. During

the World (1914) War the Germans never ceased to believe that they had been attacked and hence were fighting for the defence of the fatherland, and this sentiment exists on thousands of German war memorials. Yet every country used the same arguments; but if all were defending, who were attacking?

If we are to think along such lines it would be better to think of all military action as one of attack, and regard defence as essentially passive. But for 'realistic' purposes it is necessary to discard a whole range of abstractions in which we become involved as soon as we hold conceptions of such a nature.

When we scrutinise the military mechanism in order to determine its 'objective,' we must once again remember that this may not at all coincide with the personal objectives of those who operate it. Indeed we may find that its operators serve ends about which they are in ignorance. It should be realised that the capacity to make war on European standards is the prerogative of the "Great Powers," which simply means those countries dominated by a financial-industrial oligarchy and possessing a large industrial capacity. All such have their social mechanisms conditioned and limited by the financial. The inescapable end of this is debt which creates central power, and the need to find foreign markets (spheres of influence). The former gives the financial oligarchy complete power over the private citizens; the latter obliges it to enter into conflict with other creditor nations. The conflict, at first economic, must end in an armed clash.

This does not mean that bankers desire war. It means that the money mechanism so operates as to make war inevitable, whether the bankers desire it or otherwise. In other words, war is an inherent part of the financial mechanism owing to its automatic centralisation of power. International money lending must exert pressure on the borrowers. It requires force to implement what are in effect unilateral agreements; and since creditor countries are obliged to seek ever wider fields of exploitation, these countries are finally bound to come to conflict with one another.

Until the World (1914) War the conflicts were increasingly financial as between expanding rival creditor nations; but since then the existence of powerful debtor nations has created ideological bases for war, which are at rock bottom also financial.

The connection between armed conflict and the financial-industrial mechanisms appears when we consider the nature of modern war. Now that it is waged between armies lavishly equipped with weapons which can only be obtained in the amounts and of a kind unprocurable except by the most elaborate industrial methods, it follows that the industrial mechanism must dominate the military. This is obviously so. This mechanism chiefly determines the quantity and nature of armaments, but it is in turn determined by the financial mechanism without whose credit the factories could not produce anything.

Thus it comes about, that although millions of people in "peace" time are semi-starved and financially impoverished, though housing, education, art, health, and other normal needs of the community may languish, yet money is always available in plenty for war. Then the civil population finds itself with increased purchasing power and the armed forces are supplied with all their needs. A former Chancellor of the Exchequer once said that "of every £ contributed in taxation, we spend 12/9 on past wars (i.e. debt), 2/8 on future wars, 1/4 on education, and 6d on health and housing . . . ."

That war is fought to sustain finance is the only conclusion from the fact that though the financial oligarchy could barely find a handful of millions for eking out old age pensions, for industrial research, or for improving education or housing in times of peace, it was able instantly and readily on two occasions to create thousands of millions of pounds for mutual slaughter which solves nothing and apparently teaches nothing.

A study of the historical facts conclusively shows that the military forces are the catspaw of finance. The facade of the military mechanism is the defence of the realm. The reality behind it is the creating of a supply of trained and properly equipped men to exert force as and when required. The 'objective' is the supporting by force of such policies as are rendered necessary by the financial mechanism's debt operations. The foundations are Finance-industry.

This is not to impugn the personal motives of those men who commit themselves to the military machine, but it is to assert that the vast majority do not in the least understand the 'objective' for which they sacrifice and suffer so much. It is interesting to

note.that Gandhi recently made the following statement (Harijan 30.9.40):—

'The Times of India' . . . takes me to task for my statement that 'the peoples of Europe do not know what they are fighting for!' But truth, though seemingly harsh, has to be uttered when utterance becomes imperative. I believe that the utterance had become overdue. I must say why I think that the warring nations do not know what they are fighting for. I had used the expression 'warring nations,' not 'peoples of Europe' . . . I have distinguished between the nations and their leaders. The leaders of course know what they are fighting for. But neither the English nor the Germans nor the Italians know what they are fighting for except that they trust their leaders and therefore follow them . . . . But 'The Times' claim probably is that the British *people* know what they are fighting for. When I asked the British soldiers in South Africa during the Boer War, they could not tell me what they were fighting for . . . . They did not even know where they were being marched to.

Occasionally, however, the truth becomes apparent to the soldier. Here is another opinion, also from India, quoted from J. S. Hoyland's "Indian Crisis," p. 93 (Allan & Unwin 1943).:—

I remember talking many years ago with a young British military officer who had been called . . . . to put down a rebellion in a remote central Indian State. The rebellion had been caused by infamous and prolonged misgovernment on the part of the State ruler. The peasants had left their villages in despair and had taken to the jungle as outlaws. When this occurs in the East, as in mediaeval England, it is certain proof of serious governmental injustice. The English officer had had to shoot down these poor peasants, who were armed with nothing but bows and arrows; and he told me in no uncertain terms what he thought of the job, and of the system under which he was obliged to prostitute his honour in such a fashion.

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Those who use armed force on behalf of governments will require to ask themselves many sharp questions if men wish to rid themselves of this danger. The vital question concerns the 'objective' of Sanctions. This mechanism is, correctly speaking, a dual one. The police subserve the interests of the financial oligarchy through the Administration and the Judicature; which is to say they support these interests by the use of force within the realm and against their own citizens. The military support the same interests by the use of force outside the realm and against the citizens of other countries. *The 'objective' of the mechanism of Sanctions is to implement by force the decrees of finance.*

## *Chapter Seventeen*

### THE MECHANISM OF POLITICS.

#### ITS NATURE AND 'OBJECTIVE.'

Politics is the mechanism next below Sanctions. In theory the political mechanism exists to express the will of the people through its legal representatives. According to this 'myth,' it makes the laws and thus subscribes to that fundamental of the constitution, the Sovereignty of Parliament.

To discover the real 'objective' of parliament, we shall now look into the nature of the machinery itself. Like banking, like industry and administration, politics consists of the 'myth' facade facing the public, with the reality behind and the secret foundations below. Also, like the other 'myth' partners, it is supported by a ritual calculated to foster belief in its pretences.

The principal ingredient in this ritual is the fiction of democracy whereby government is done for the people, by the people, whatever that means. The method by which this abstraction called the people is supposed to govern the same abstraction is the franchise. (Can a man govern himself *by* himself, or is there not implied in government the idea of the higher ruling the lower?) It is all so clear and simple, or so runs the 'myth.' The people vote for the candidate of their choice. They "choose" the candidate, who then goes to parliament to "represent" them, and by open discussion to "make the laws."

The realities, alas, are very different. The first piece of reality is the fact that a general election cost about (pre-war) £1,500,000,

and that to contest a single election cost the candidate some £800-£1200. So we see that in the matter of politics, money again dominates. Its power, as we have said, is that negative force of veto.

Has the reader any idea of just how many people in Great Britain could lay hands on this sum for an election campaign? How many could lay hands on such a sum for any purpose? The mass of the electorate consists of working folks whose incomes are never in excess of £200 per annum, and many are less than that.\* We can rule out the possibility of any such people contesting an election unaided.

Now we come up against another 'myth.' People of the £200 per annum social level entertain erroneous views as to the real condition of those above them. To see a man with a large house, two or more servants, a car, and the other amenities of society, is to conjure up a picture of wealth. In so far as the idea of wealth connotes the possession, or at least the use, of real wealth, the working man is right. But the error consists in this, that real wealth and money wealth bear a very irregular relationship.

Those who know the upper middle classes will agree that unless a man's income has been above the £2,000 per annum level for some years, he would be quite unable to lay hands on £1,000 in cash for non-productive expenditure. The realistic details are only too well known to the members of this class, which is in process of financial extinction. Their normal standards of living together with taxation, make access to such a sum of money impossible to all but rich men. Of course it is true that a fairly large number could lay hands on £1,000 for purposes of business or industrial enterprise. Any bank and many organisations would arrange that; but it is quite another to procure and immediately to spend such a sum on an election, with no hope of financial return. Judging by the sur-tax figures, the number of people in Britain who could afford to deprive themselves of £1000 in cash with the likelihood of no direct return whatever, is in the region of a few modest thousands.

We can be sure that of the people genuinely desirous and capable of serving the community as members of parliament, so small a

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\* I am here using pre-war figures.

percentage would be in a position to pay their own election expenses and manage to live on a member's salary that we can say for practical purposes there are almost none; and experience bears this out.

When we remember that the total cost of a general election runs to about £1,500,000 which has to be paid *in cash*, and without hope of a direct economic return, we are getting to grips with the real problem. Do we realise in fact what it would mean to raise £1,500,000 to finance a commercial venture promising a fair measure of success? It would indeed be an onerous and difficult undertaking, even though, by means of banking and stock-exchange hocus-pocus, part of the money need only be of the accountancy variety. But election expenses have to be paid out in cash, mainly to a large number of small tradespeople.

Now when £1,500,000 is paid out, we need not, and in a real world, dare not, believe that it is paid without hope of any return. It is paid assuredly with a view to a definite return, as we shall see.

The realistic approach to parliamentary representation lies in this—that whoever (and in the last resort, it is individuals) provides the £1,500,000 determines and absolutely controls everything and so reduces "representation" to the sham it is. The idea that anyone can stand for parliament is of the same order of reality as the fiction that I am one of the owners of the Royal Navy.

The control of the political machine is vested in the party system. It is, or at least was, a sinister and semi-secret organisation with great wealth behind it. One remembers, for example, that on the demise of the Liberal Party the then Mr. Lloyd George was reputed to be the anxious custodian of £2,000,000 on it's behalf.

It is only fair to add, however, that since the money power has gained such a hold over the Administration, the party machine is not what it used to be.

Nevertheless it still survives, in spite of hard times. The funds, until the rise of the Labour Party, came out of the pockets of wealthy supporters, who were not altruistic public figures parting with money for nothing. They were either gentlemen deeply involved in the vested interests or suppliants for titles, or, commonly, both.

It is noteworthy that in spite of many efforts no one has ever been able to secure a public audit of party funds. Such an



investigation, to include the inevitable nepotism, would be all to the good even yet.

The rise of the Labour Party depended upon another technique. As working people had no chance of getting into parliament owing to lack of means, the Trades Union movement by a "political levy" on its members, provided the fighting funds for political elections. In return, the Executive of the Trades Unions organisation virtually nominated all candidates. Indeed, the professional trades union officials came to regard a seat in Parliament as the normal reward of faithful service to the cause! The important point is this. The electorate do not choose their own candidates. They are chosen by those who hold financial power at the headquarters. We need not be surprised, therefore, to learn only such men are chosen as are certain to subserve the policies of those who pay for them. What these policies are is a secret, though an examination of the membership and activities of Parliament will make them clear enough. To suggest that hand picked candidates are "elected" or "chosen" to "represent" the electorate is a travesty of truth. Some idea of the money involved and the importance of the matter may be gleaned from a consideration of the Party offices in London, with agents and workers in every parish in Britain.

We can see what the Party system once meant if we scrutinise Liberal politics since the Reform Bill. The wealth of this Party, the peerages purchased, the safe seats, the newspapers owned, the influence in the diplomatic field, were all made possible only because the Liberal Party was the protégé of the debt makers. The issue was simple. Free money meant free trade. The unexpected and much lamented death of this apparently healthy organisation was not due to the "decay" of "Liberal ideas," whatever such nonsense means, but to the fact that whatever policies the money power had fostered through that party were either achieved or to be better achieved by another method.

The corruption of the Party system has long been a matter of public scandal. A Conservative M.P. with admirable candour recently stated that to ensure a candidature in the Conservative cause was easy if the aspirant paid his own election expenses, helped the local Unionist Association and contributed to party funds and local charities. In October 1941 there were more disclosures at

the central council meeting of the National Union of Conservative and Unionist Associations. A woman M.P. for Frome said her election cost her £1,100 and that in her ten years of political life she had contributed £5,000 to the Conservative Party. Major Sir Derrick Gunston led an attack on the practice of allowing financial considerations to affect the choice of candidate. He said:—

In practice you will find the able but less well-off candidate fighting the hopeless seat. It is the rich, safe seats which demand the highest contributions. We all know that promise of a large contribution has far too often been the determining factor in the selection of a candidate. We know that candidates have been asked how much they were prepared to subscribe to local charities and football clubs. . . . There may be several candidates possessing drive, energy, ability and courage . . . but the financial demands have been on such a scale that they have not even been considered.

Such direct financial considerations are less important in the case of the Labour Party. Here the choice is determined by ideological factors, by trades union local politics and finance and by the various co-operative societies. But the end is the same. The members are not chosen by the electorate but are picked by those who provide the money in order to serve certain interests far removed from representative government.

If the foregoing analysis of this social mechanism is correct, we should expect to find that effective power in the House of Commons has so far resided in the hands of those who direct and control money and industry.

There was published a remarkable disclosure of the state of affairs in 1939 by Simon Haxey, under the title "Tory MP." The book, as the introduction states, "is a study of the personnel of the Tory Party" in order "to show the true character of Conservatism or Toryism." I should of course disagree with the latter statement except as a description of 'myth' politics, since I believe that these terms have no meaning in reality. However that may be, it is a remarkable disclosure. I am indebted to its author, and shall here use his information. I should prefer to regard his book not so much as a study of the Tory Party as a study of that group of persons who then held power in the Commons.

That some such conception may have been in the author's mind is evident since he begins by admitting that the word Tory is not

a precise word, but that he uses it in a precise way. Thus:—

*Tory* and *Conservative* are used as if synonymous and are applied to government supporters alike . . . The distinction in practice between Unionist, Conservative, National, Liberal-National and National-Labour is so obscure that in a serious political study any separate treatment is undesirable. Liberal-National and National-Labour politicians sit in a cabinet dominated by a majority of Conservatives, some of whom have never once been known to abstain from voting for this truly Tory Government.

Now the word Tory, the author observes, was superseded in 1830 by Conservative, which became Unionist in 1886, and that Unionist Conservative was partly replaced by National in 1931.

It is useful to observe that the original supporters of the bankers in 1694 were the Whigs. At the Industrial Revolution the new social class of industrialists for the most part supported the Whigs. The bankers realised how vital the new industry would be as a basis for expansion of credit and forthwith the Radicals or Liberals were born, to be, of course, opposed by the Conservatives. The portrayal of the latter as reactionary; as opposed to the Liberals as champions of political reform and progressive legislation, signifying subtly the intellectually advanced or liberated, is a pleasing illusion. The fact is that history as presented for many years, and certainly school history, is Whig history and it is a tissue of 'myth' and evasion.

The original Whigs were the great landowners, merchants and tradesmen, as opposed to the Tories who were the small land owners and county clergy. It is easy to see how the Bank of England powers were Whig powers and have always been Whig powers. The original Tories as a class had always feared despotism by corruption of Parliament. They desired the King to exercise the power to nominate Ministers of the Crown. The Whigs desired that such nominations should be in the hands of the Parliamentary leaders, and it is probably significant that the Duke of Wellington, who had beaten Napoleon for the usurers, played a part in putting the Whigs in power in 1830.

The fact is that since the late nineties the old features of the parties became obliterated as the Administration passed out of the control of Parliament and the banker-industrialist caucus rose to power. The late nineties also saw the rise of the first of the

political ideological parties, but they were not organised on a party basis until Labour utilised the Trades Unions.

Speaking generally, there are only two recognisable groups in the House of Commons, and it should be observed that this grouping cuts right across the party barriers, i.e. members of each group may be found in any Party.

These are (1) the hard core of Parliamentary effectives, and (2) the nescientists, who form the generally unconscious tools of the effectives. The nescientists are mainly but by no means entirely composed of the left wing political theoreticians. "Tory M.P." is therefore merely a study of the then Parliamentary effectives. The "death" of Liberalism was a bogus death. It was simply extinguished, as one puts out the light in the Liberal room and puts it on with the same current in the Tory or the Socialist room.

Turning to the facts we find the composition of the Commons in 1818 as follows—total members were 600, of whom some 50 only were "business men." The rest were landowners or their nominees, but of the 50 businessmen 23 were bankers, 3 were on the directorate of the Bank of England, 2 were directors of the East India Company, 1 of an insurance company, and the rest manufacturers of various kinds. However, we notice that the bankers even in 1818 had made a good start in face of heavy odds—50 business men, out of which 23 were bankers!

"Tory M.P." deals with the 400 members who were supporting the government at the end of 1938. It shows that (p. 35) 44 per cent. of Conservative M.P.'s were company directors, whereas 0.1 per cent. of the electorate are company directors. These 44 per cent. constitute 181 members who hold in all 775 directorships. As regards personal wealth (p. 28) of 33 out of 43 Conservative M.P.'s who died between 1931 and 1938 and whose wills were traced, two left over £1,000,000, 12 between £100,000 and £1,000,000, and the lowest group of five left between £10,000 and £20,000. "But," says the author, "only 0.1 per cent. of the community leave as large a fortune as this."

The analysis of the directorships of the M.P.'s is then undertaken, and the statement is made:—

The most important single group of concerns in the national economy is perhaps the banks and insurance companies. *The number of their directors who sit in Parliament is remarkable.* (My italics.)

The "Big Five" banks had then a total capital of £205,000,000 and total deposits of over £2,010,000,000. Since 1931 (p. 38) 15 of their directors received new peerages "at the behest of Prime Ministers of the National Government." On p. 40, after suitable evidence, we find "The directors of the big banks of this country in fact, go in and out of leading positions in the Conservative Party and in the Government. There are also extensive family connections between M.P.'s and the boards of the big banks." . . .

In the world of big finance the insurance companies play a part as important as that of the banks. They have immense funds to invest. They too are the government's creditors, holding £350,000,000 worth of government stock. Of the 90 peers created by the National Government since 1931, no less than 35 were directors of Insurance Companies. There are no less than 43 government M.P.'s on the national or local boards of 32 different insurance companies. . . . The directors of insurance companies go in and out of important positions in the Conservative Party in just the same way as the bankers.

Having noted the "very close association between the boards of the great banks and insurance companies" it is further stated that not only are the directors of one frequently directors of the other, but that apart from the banking and insurance concerns proper "there are 27 Conservative M.P.'s who hold between them directorships in finance companies, issuing houses and investment trusts." P. 42 goes on:—"The members of the boards of the 'Big Five' banks and the biggest insurance companies are to a great extent the heads of the biggest industries."

The rest of Mr. Haxey's book is a statement of the "big business" relations, and the family connections of the M.P.'s. The story is fairly familiar in its broad outline. It is the story of the inter-locking of business, banking and blood. The business relationships are certainly astonishing and disclose the nature and source of the financial-industrial forces at work, together with the tendency, as in industry, to centralisation of power.

From the evidence of "Tory M.P." it is beyond dispute that the government in both Houses, but especially in the Commons, was then in fact an oligarchy representing the union of finance and big business. When we further observe that 96 Conservative M.P.'s out of 400 had served in the regular armed forces (not to mention the much greater numbers who had served in temporary capacities), and that 78 others were barristers, with 16 ex-civil servants and

11 from the diplomatic service (p. 185), we see a reflection of the fact that power is vested in the four mechanisms of Finance, Industry, Sanctions, and Administration.

The advent to power in 1945 of the doctrinaire socialists has made no real difference to this analysis. It is impossible for one not behind the scenes to know the realities of the situation to-day; but I believe it to be a serious error to imagine that a socialist government will make any real difference.

It is no longer possible to contend that socialism in any particular sense is now a working class movement. Politically it began as a working class movement, but the Trade Union movement is now a financial cartel and other forces have been long at work. A very influential factor has been the Co-operative Societies, which exert a great influence, not as a working class movement either, but as a super-capitalist monopoly or cartel possessed of tremendous financial resources and admirably equipped to hasten centralisation of power and to destroy private initiative.

An early and probably the most important infusion was the Fabian Society. This organisation formed the spearhead of the doctrinaire element, and from it, chiefly by the activities of the London School of Economics, have emerged the intellectuals of the socialist movement.

These developments have not transpired without a struggle, and the working class faction is still a potential source of schism as they witness their class ideals being subverted. A vital struggle has also gone on for long behind the scenes, and the socialist intellectuals have successfully infiltrated themselves into many key positions in political, academic, ecclesiastic and administrative spheres.

There are still the die-hard Trades Unionists and the old-time socialists of working class origin, but the present leaders are the doctrinaire intellectuals, who, surprising as it may appear, are just as much the expensive products of Eton and Harrow, Oxford and Cambridge, as their Tory predecessors.

Whether the socialists will be able to maintain themselves in power or otherwise will in the last resort depend not upon the application of socialist "principles," but upon the extent to which they will conform to the financial status quo. As far as my limited knowledge permits me to judge they are meantime excellently conforming to it. I think, for example, that if they failed to conform,

they could readily be unseated, as they were on the last occasion by the American financial interests.

It is commonly supposed that the socialists are in fundamental opposition to the capitalists as represented by the Conservative heads of finance and industry. But the financial factors are far above Party politics and it is to them we must look if we wish to understand the Parliamentary situation.

Financial necessity imperiously demands the complete centralisation of power and what could be more subtle or suitable towards this end than "nationalisation?" In the last resort the leaders of big business will not do so badly. After all, politicians do not run business and industry, and the leaders therein will continue to lead, with the added advantage of being absolved from all personal responsibility.

In any event, if the pious subscription to democracy means anything, the socialist Government in Great Britain is in power to-day with an electoral minority. They were in fact put in by not much more than one third of the total electors, and this is then called a "mandate" from the country!

Here are the rough figures. The total electorate in 1945 was nearly 33 million, of whom 12 million only voted socialist. The Liberals polled 2 1/4 million, the Conservatives 10 million, while nearly 8 million of the Neutral Masses did not think it worth while to go to the polls. It should be observed, of course, that the 1935 Conservative Government had an electoral minority also, though not so marked as their successors.

The socialists are not in the least likely to offer any fundamental opposition to the status quo financially. Money will continue to be lent into existence. Debt will continue to increase. The orthodoxy of the London School of Economics will impose upon Great Britain the necessity for a vast export trade to the detriment of the standard of living of its people and the economic unity (such as it is) of the British Empire.

The peculiar danger of a socialist majority is this—that the whole structure of government tends to pass from the old type effectives into the hands of the bureaucrats, leaving the dumb show to an ever increasing majority of nescientists. In other words, the parliamentary effectives gradually move elsewhere, and money will con-

tinue to rule via the Treasury as an appendage to the "nationalised" central bank.

It is a sinister fact that in every European country which has succumbed to totalitarianism the penultimate step was the rise to political power of the Left wing doctrinaires.

When we review the mechanism of politics we see that it is simply a device for centralising power in the financial mechanism under a smoke screen of political theories and verbal warfare.

#### THE 'OBJECTIVE' OF THE POLITICAL MECHANISM.

In order to understand this fully it is necessary to realise the true rôle of the remaining mechanisms of education and religion. These, in brief, create and sustain illusion which prepares people's minds to receive the facade of politics as reality.

Parliament is popularly supposed to make the laws. But we have seen that this is a very partial truth. There is certainly an ostensible making of laws, but since these are conditioned by the Treasury (i.e. by the exigencies of the international banking system) or are simply broad and undefined powers delegated to the Administration, we can say that the making of the laws is not the 'objective' of the political mechanism but is simply its by-product.

The facade of politics is the 'myth' conception that Parliament is sovereign and exists to make the laws by the free discussion of freely elected representatives. Reality shows that Parliament is not sovereign since it has to bow the knee to the power of money, or, more accurately, debt. Parliament is as acutely limited by the money situation as its humblest elector, who must make ends meet out of what the financial mechanism allows him. Moreover, as financial power no longer rules from London the control of Parliament in the last resort is extra-territorial.

That Parliament makes the laws, such as they are, by free discussion is patently false. "Free discussion" is one of these verbigerations peculiar to 'myth' politics. A discussion is meaningless unless there is a sufficiency of accurate data, and it is here that the present pseudo-democracy signally fails. No system of government, whatever its name, which purports to be founded on discussion, is of the least value unless the public have free and untrammelled access to all the relevant facts. This issue will be investigated later, but meantime it will suffice to state that the



essential facts in any situation are not disclosed to the public at all since the media of publicity are finance-controlled. When the time comes, as come it shall, for an outraged public conscience to overthrow our inverted society, the oligarchy's last ditch stand will be over the question of free publicity. No government has understood this more effectively than the Russian.

Moreover, Parliamentary discussion is now a sham fight since Party discipline obliges M.P.'s to toe the Party line. I fail to see the point of debating any issue in the House of Commons and proceeding to the farce of a division, when, whatever the contributions and personal convictions of members, all know beforehand how the voting will go. Further, free discussion cannot exist when the Parties control the nomination of candidates, who are obviously hand-picked to support the interests of big business and finance, or ideological fairy tales.

We have seen the overwhelming representation of banking and insurance, and centralised industry, and hence for many years we have witnessed their representatives acting as judges in their own cause and enacting legislation directly affecting their own interests.

The rise to power of the socialists is of course the direct result of money pressure. The totally unworkable economics of the debt system ends by creating recurring bouts of unemployment, depression and war, with an increasing number of the dispossessed poor at one end and a decreasing number of immensely wealthy and powerful at the other. The tensions thus generated make the emergence of socialist theory and practice inevitable, and the advent of universal suffrage ensures its political triumph.

But the demise, if such it be, of the old financial-industrial oligarchy in favour of an ideological oligarchy will not foster the interests of the people at large, but the interests of international finance. On the evidence available I do not believe that any person or caucus deliberately directs or engineers this situation. I believe that the financial forces at work make such a change inevitable. If this is so, the displacement of the old "Tory" oligarchy in favour of the socialists merely means that the operations of the Negative Money system will be better served through socialism. And they will. Under the old regime it was still possible or at least theoretically open for the government to bring bankers and industrialists

to heel. Under "nationalisation" it will be impossible because bankers and industrialists will become in effect the government.

In any event the ideological complexion of the government is, as we have said, of secondary importance, not only in respect of the subservience of all politics to money, but in the inevitable trend of legislation for many years. A political sage recently remarked that "of course we are all socialists now." It is of first importance to recognise this. It should not be forgotten that the first socialist legislation was Liberal, and that the celebrated Beveridge Plan was the creation of a self-styled Liberal under the aegis of an essentially Tory government, and the present assault on the medical profession had its roots in Tory policies. In other words, there is a tragic eclipse of all for which the 19th century Liberals (in the cultural sense) stood, and all political parties have unquestioningly accepted the existence of increasing centralised control, whether under the cloak of "left" or "right" wing theories.

Regarding the House of Lords, this is of secondary importance to the present analysis, since its effectives are merely the self-styled nominees of Finance-Industry or of the socialist theoreticians; and the great majority of the Peers rarely if ever enter the portals of the House at all.

The House of Commons, to quote the words of the late Lord Hewart, is dominated, whatever the complexion of the government, by "the power of a skilful and organised minority" which utilises "a persistent and well-contrived system, intended to produce, and in practice producing, a despotic power which at one and the same time places government departments above the Sovereignty of Parliament and beyond the jurisdiction of the courts." The bulk of members of the Commons do not belong to this minority but unconsciously serve it because they are blinded by 'myth' and are the filtered out servers of the Party system or of political ideologies.

*The 'objective' of the political mechanism is to obscure the realities of the social situation by means of political abstractions and by the 'myth of action'.* In Britain and the U.S.A. the political abstraction is that of 'myth' democracy. The foundations of the political structure are the Party funds. The framework is all the 'myth' created by the mechanisms of religion and politics.

## *Chapter Eighteen*

### THE MECHANISM OF EDUCATION.

#### ITS NATURE AND 'OBJECTIVE.'

In our consideration of education we can exclude the merely vocational training which is but a part of the apparatus of industry and of the Administration.

As a social mechanism, education proper consists of two aspects—the academic or scholastic as purveyed in the various teaching institutions, and that which is presented through the medium of the press, books, plays, the cinema and broadcasting, and which will be called 'propaganda education.'

The essential nature and function of these varieties will be considered in chapter 21, but here we are primarily concerned with the centralisation of power through finance as it manifests in the educational system.

Consider firstly the scholastic apparatus. To run schools and universities costs a prodigious amount of money which, under the present social order, can never be supplied directly by the public.

Nearly all schools and colleges are subsidised either through endowments or through State grants. In England and Wales in 1939 there was a school population of some five million children, whose training cost the State about £50 million yearly, which was about half the total required.

In this way the Ministry of Education comes to exercise complete centralised control over the whole machinery. It determines

standards, curricula, salaries and promotions and has inspectors to supervise the activities of the schools.

The inspectors for the most part belong to the upper middle classes, or, what is the same thing, have received appropriate upper middle class conditioning at the universities. Thus the government through this branch of the 'Social Services' comes to exercise very wide powers over the nature and extent of education.

The manner in which this control works is by the process to be described as financial filtering. Neither schools nor teachers are in a position to make effective opposition, though many would like to do so, because the very existence of both depends upon public money provided through rates and taxes.

While promotion among teachers is to some extent automatic, it is considerably dependent upon "results," which in effect means upon the ability of the teacher to attain in his work certain arbitrary standards as laid down by the central authority.

No teacher would get any distance professionally unless these results were forthcoming; and as for a departure from the curricula, such a thing would be impossible. Thus through financially centralised authority the entire school and University education is firmly in the grip of the monetary system.

As for 'propaganda education,' this also necessitates the expenditure of enormous sums of money, and so it too gets into the hands of the financial-industrial oligarchy. Its activities are not consciously directed by anyone, nor do those taking part in it have necessarily any knowledge of the real purpose of their activities.

The press, the cinema and broadcasting are the chief means of publicity, and they are either in the hands of the vested interests or are government controlled. When power is absolutely centralised all become directly government controlled and so nothing is disseminated unless it has received the sanction of central authority.

That such a high measure of control exists will sound incredible, but anyone who attempts to unveil the forces at work in society will quickly discover the nature of the powers arraigned against him.

The mechanism of Education is thus controlled by the power of 'Negative Money' exactly as are the other social mechanisms. The control is direct and obvious in industry, but as the social pyramid of power broadens to its base, it becomes diffused; yet it is none the less real.

When we investigate the function of education as a mechanism we meet considerable difficulties. In the first place, the generality of people regard education as an end in itself, and so they never think of it as having any function other than to teach people the three R's. But this is not education in the true sense. It is merely literacy.

For that vast majority of people who are unable to receive more than an elementary schooling, then, their education is of 'propaganda' variety, which, as we shall see, chiefly serves to foster the interests of finance-industry, and to create a facade for the social mechanisms.

For the minority the higher education is either spent on vocational study or it is wasted on academic exercises which, though useful as a discipline in mind-training, largely serve to foster the deadly illusions by which an 'inverted order' of society is sustained.

Putting the matter in a sentence, and reserving a fuller discussion for a future chapter, we can say that *the 'objective' of the mechanism of education is to foster unreality and inculcate obedience to external authority.*

It does so especially by purveying the 'myths' of Money, of State and of History, and by creating a false standard of values in human conduct.

## *Chapter Nineteen*

### THE MECHANISM OF RELIGION.

#### ITS NATURE AND 'OBJECTIVE.'

The mechanism of religion here means the organised Christian religion and is the last of the seven mechanisms of society, instead of being the first. We shall consider it now in its relationship to the centralised power of money.

Organised religion, too, is conditioned by money directly and indirectly. It is limited by the church's necessity for finding money for the payment of capital and working outlays and by its being a substantial owner of land and property.

These limitations were increased by the altered centre of gravity of wealth down the centuries. When money was a negligible factor the church's wealth consisted of land and her tribute was the produce of land. When money became significant her wealth of necessity became money wealth and her tribute money.

Such land and property as she now possesses provide her with rent, and her money is also put to usury.

Thus whether agreeable to the officials or otherwise, the churches are partakers of 'usury' and hence willy nilly caught up in the machinery of finance. The Anglican Church is so involved and is a substantial land and property owner, living off the toil of many who may actually be opposed to it, and oppressing the farming community by means of the anachronistic and often unjust tithe system.

In Scotland there is a somewhat similar system for the support of State religion. The teinds of that country date from 1147 and were a compulsory levy originally for the maintenance and education of the poor. They have long been used for the maintenance but not for the education, of the clergy. The Church of Scotland regularly resorts to Sheriff Court procedure to enforce payment of this impost from Catholics, Jews, Atheists and Episcopalians.

Thus, through rents from property and land and from invested funds the church pays homage to the financial system; and from the proceeds of taxation it pays homage to the State.

Religion, however, is also much, if not chiefly, dependent on money subscribed by individual church members, and thus indirectly it makes further obeisance to the money power.

The pressure of this necessity is immense and far reaching, and hinges round the existence of a paid professional clergy and of debt in respect of individual churches.

Broadly speaking, the clergy must satisfy their superiors at one end and their congregations at the other. There is generally a close connection, at least so far as State religion is concerned, between the landowners, the political effectives and the higher church officials; and this is a controlling factor in clerical appointments. Thus by political and financial backstage wire-pulling a widespread and secret power is brought to bear as to the placing of the clergy.

The need of the clergy to please their rich members is another powerful factor. Since it is impossible for congregations of ill-paid working people to be self-supporting, the clergyman becomes dependent directly or indirectly through a central fund, upon the financially rich.

But most people are rich because they have fostered or sanctioned the aims of the financial mechanism and thus they only give their support and patronage to such clergy and organisations as are not likely to assail the money power.

In these various ways, therefore, the church as an organised mechanism of society is tied hand and foot in complete subservience to the financial mechanism, whose ends it serves.

Though the financial control is still more indirect than in the case of education, it is nevertheless absolute, as is only too well known to nearly all ministers of religion who, like their scholastic

colleagues, would be glad to divest themselves of this financial incubus.

When we investigate the mechanism of religion in order to determine its 'objective,' we find that this is likewise hidden. It is true that the church exists in its corporate capacity to administer the various sacramental and other rites such as baptism, burial, and so on. It also exists to preach and teach, and to act as a medium of organised worship. Yet these are not the 'objectives' of religion as *a social mechanism* since these aspects of church activity existed long before the development of the present State and, it is hoped, will continue to exist after the State has dissolved.

Of all the realms of human activity there is none more susceptible to 'myth' than religion. This must be so since religion is a function of the higher realms of consciousness and therefore cannot be adequately portrayed or communicated by the mind.

It is the futile attempt to do so which opens the way to illusion, and creates the necessity for credal tests, definitions and the like. Thus, church membership is concerned first and foremost with mental acquiescence in certain formulated beliefs, and not with the life or spiritual status of the individual.

Credal tests and mental formulae belong to 'myth' religion and are the source of all persecution and intolerance. Whenever a man associates himself with the organised church he therefore makes obeisance to 'myth.' It is true that there are within the church a minority of spiritual people with experience of 'reality'; but, again, whatever their personal motives and desires, they subserve the 'objective' of the mechanism of religion whenever they commit themselves to it; and, as we have seen, they may therefore subserve ends far other than they know.

The church in this social mechanistic capacity is thus centred in belief as opposed to 'knowledge,' and is an accretion round certain formulae. Its corporate life is dependent on money and its clergy likewise. Its ideological existence, as it were, depends upon the formulae. Thus both clergy and laity enter into subservience to money and to a specific mental belief, and the living reality of religion as "knowledge" recedes from view.

It is this dual subservience which has reduced the church to impotence so far as the real 'objective' of religion is concerned;



but which, paradoxically, has placed organised religion as the supporting base for the pyramid of power.

Again reserving the matter for fuller discussion we can see that *the 'objective' of the mechanism of religion is to foster 'unreality' and to inculcate submission to external authority.*

It supports and sustains all by its illusion-making capacity, and especially by the 'myth' of a distant deity and of abstract morals through the Hellenic-deductive technique.

## *Chapter Twenty*

### CENTRALISED POWER AND ITS APPLICATION

We have now concluded a review of the seven social mechanisms, from which we observe that the financial dominates all beneath.

We see the structure of society to be pyramidal, with finance at the apex, and a finance-dominated religion as the foundation, and thus we have an inverted social order, wherein the 'objectives' of its mechanisms are in irreconcilable conflict with the true aims of humanity.

We see how these mechanisms have a facade, which is the creation of the mythopoeic faculty. This facade is what the mechanisms are supposed or imagined to be doing. What they actually do is in short the whole folly and absurdity of society. What their 'objectives' are is something to be discerned only with difficulty. The prime difficulty lies in men's ignorance as to the technical methods and construction of the social machinery, and especially of the financial machinery.

It cannot too often be remembered that the 'objective,' whatever it is, is subserved in any event by those who manipulate and use the machinery. It is not suggested that individual members of the Administration or of the police or military, or of industry, necessarily understand what ends they serve. It is clear from personal knowledge of excellent and kindly men in every walk of society that they do not understand their corporate actions, and that this ignorance is due to incomprehension of the rôle and nature of mechanism.

It is not suggested that the many good and high minded churchmen and educationalists are hypocrites or deceivers, or whatever abstractionist description might be applied. They are genuine idealists convinced of their high purposes. But conviction as to one's purpose is insufficient and very dangerous. To be convinced that one is going to New York without taking care to see that that is the steamer's destination is an error never made by a traveller.

The price of financial domination is the subservience of all social machinery to the end of finance, which is debt. The end result of financial domination is centralised power and the destruction individual sovereignty.

We have seen that the users of mechanisms may be serving ends unknown to them. This applies to those who operate the financial machinery, but in that case there is a vital difference. Whether individual financiers realise the true end of their apparatus or otherwise, they realise and utilise the power which is thereby given them. The bankers are manipulating a machine which creates debt, of which they are the custodians or legal owners\* as against the rest of the community. Because of this they find themselves the possessors of a power which has no counterpart in history. It is in the last resort the power of centralised authority in the name the State.

This power is not a novel phenomenon. It has appeared in cyclic recurrences in the past, but what is new is its universal dominion. Debt power in all past history was localised. To-day it is world wide and hence the magnitude of the conflict which is approaching.

As debt society nears its end, we observe a top-heavy structure threatening to collapse under its own weight. This cracking up creates so many abuses, absurdities and injustices that a growing scaffolding of legislation is necessary to keep the structure in repair. This is the reply to the question which Lord Hewart asked and to which he gave no answer. The amount of legislation needed to cope with the situation is necessitated by the impending collapse of the whole social order. No parliament if it sat 24 hours daily for 20 years could create by its normal procedure the legislation now

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\* Owners in the legal corporative sense.

required in one year, hence the delegated legislation, hence the "Administrative Lawlessness."

As this develops, the corruption which Lord Hewart feared and foretold comes about. It is with us now. As corruption spreads, the tyranny increases, and with it the armies of officials with rules, regulations and licences as thick as autumn leaves. Then purchasing power falls and people suffer deprivation of goods along with deprivation of liberty.

The last and greatest tyranny is the inversion of means and ends. The debt system regards men as made for debt society, as means to serve the end of the financial mechanism. And so arises the frustrations, the deprivation of civil rights of "free association" and "free speech," of the right to criticise, to form opinion and mobilise effective resistance.

The centralisation of power and the effects of debt are no new episodes in history. They show classic signs and symptoms which have made indelible marks on the monuments of past civilisations, as our review of Greek and Roman history has shown.

Let us now look more closely at the nature of centralised power and the technique of its application.

Firstly we note that such power is not a remote or impersonal "principle" of government. It has no meaning apart from its effect on the individual, and this aspect we shall now consider. The word power signifies "capacity to act, to exert influence, to exert control, to impose one's will." Such a power when exerted on human beings has no actuality unless it compels action. If a man acts along a specific direction he does so either freely from within himself or because he is obliged or constrained to do so by the imposition of external sanctions. In the latter case power has been exerted upon him. Power is thus the capacity to impose a line of action upon *individuals*. Centralised power is the capacity to impose from one focus any desired line of action upon individuals.

As we have seen at length, this power is vested in the existence of Negative Money, and its power is therefore primarily a negative one. It is the Veto Power of money—the "Thou shalt not " decree of debt. It begins with an embargo on production. Men shall not produce more than money permits. It then enforces this limitation by the Mechanism of Sanctions—the police and the armed forces. Note here too this Veto Power. The police and the armed forces

would not last a week if the emoluments of their members ceased. This is recognised in Great Britain by the annual Army Act and by the Treasury control of expenditure; and it is noteworthy that as centralised power increases, the emoluments, the standards of living and the privileges of the police and the armed forces rapidly improve. In all States with completely centralised control the food, the clothing, and the general well-being of policemen and soldiers are in inverse proportion to the condition of their supposed masters, the civil population.

Centralised power, however, finds its proximate and greatest sanction in the Mechanism of Administration, which becomes in effect the law-maker and contrives means for the evasion of responsibility and of the normal operations of law in respect of its personnel. The pressure of the Administration is probably greatest in its unlimited power of taxation. The basis of this lies in the ill-understood fact that if people are taxed in money and bankers create money, then taxation becomes by that fact a tyranny. Primitive communities always demand taxes in kind and the first step in the subjugation of a conquered native territory by a creditor nation is the substitution of a tax in money created or controlled by the conquering power. By this subtle device sovereignty is obtained without firing a shot. To pay a tax in money the payer is obliged to sell his labour, his goods, or his property, all on terms virtually dictated to him.

In the long run the Administration under a debt economy comes to control the lives of the citizens by the simple expedient of taking their incomes from them. Recent history shows that when 50 per cent. of the total national income is thus skimmed off, all personal liberty has disappeared. It is significant that when Hitler seized power in 1933 the then German Administration was taking 56 per cent. of the national income (quoted from Hayek's "The Road to Serfdom"). In other words, Hitler, in mining parlance, merely "jumped the claim." All highly controlled Administrations are thus at the mercy of the political opportunists.

It is difficult to get at the facts because of the breakdown of currencies everywhere, but an Official Report, House of Commons, 19 June, 1946, gave the following information as to present annual taxation, direct and indirect, per head of the populations:—

Great Britain . . . .	£66 per head		
Australia . . . . .	£37	“	“
Canada . . . . .	£44	“	“
U.S.A. . . . .	£75	“	“

If now we consider the taxation in Great Britain and include, as we ought, such charges as National Health and Unemployment Insurance levies, which are in effect taxation and as such recovered in prices from the consumer, the information so far available indicates that in 1946-7 the people of these islands will be mulcted of all but this fatal 50 per cent. of their total incomes.

From the table given and from the opinion by Professor Roscoe Pound already quoted (p. 276) it is clear that the centralisation of power in the U.S.A. has arrived with a speed and to a degree which are quite remarkable.

Furthermore, as centralised (financial) control becomes absolute, the effect is to dislocate the whole price system, so that controls (rationing, etc.) are accompanied by a totally uncontrolled "black market" and rising prices all round. This is the situation everywhere today, and most clearly in Russia, where there is a State operated "black market!"

Now centralised power is also exercised in other than financial ways. It may be used in its crudest forms against the person through any device from simple imprisonment to bodily death; and there is a deplorable recrudescence of these methods everywhere. But there are other ways, and if men wish to free themselves from subjection to arbitrary authority, these must be recognised.

We shall firstly consider a device which depends upon the Veto Power of Negative Money. It is in effect a filter which is imposed at intervals along the supply lines of the social mechanisms. It is therefore aptly called the Financial Filter.

Unless detailed consideration has been given to its operations, it is impossible to grasp its subtle effectiveness and its ubiquity. It is the power, complete and unquestioned, over millions of men and women, to compel them to work, to starve, to kill one another, to destroy the works of their hands, and in short to do anything justified by the necessities of a debt economy. The Filter operates on individuals by holding back such as are not sufficiently compliant for the support of the status quo. It consists, among other things, in the power to refuse employment, to dismiss, and to regulate

emoluments; and by those methods at all levels the undesirable elements are filtered out and rejected.

By this simple and automatic device, those who oppose financial or correlated systems would find themselves debarred from progress and deprived of the means of livelihood. But there is an even worse feature of the filter. An opponent of the system might and in most cases would, require to stifle his opposition simply because he could not afford to do otherwise. The highest importance attaches to an understanding of this predicament. We are told that men are "bad" and that the primary need is for change of heart. But suppose, as is the case so often, a man who finds himself with inescapable obligations to his wife and children as well as to his creditors, he is then not free to make effective protest.

Except under very favourable circumstances, the price of success in all mechanisms of society is subservience to the status quo. Consider the position of the owners of industry. Such people are either titular owners and hence of no account, or they have arrived as the result of years of work and striving. Any opposition to the system would debar them from progress in the earlier stages. To mount to the higher states necessitates in most cases the patronage and assistance of those above. This is not given for nothing. Only those personally involved in business or industrial affairs have any idea of how intricate and how powerful are these influences. They are reinforced at every step of an aspirant's career. They are conducted under an elaborate code which prescribes what may and may not be done, though this has little or nothing to do with morality.

One could keep within the rules while at the same time indulging in any number of sharp practices; and indeed, far from prejudicing the aspirant to business honours, they might well advance him. But the elaborate quid pro quo of the code must be unsullied. Marriage, club membership, social activities, style of life, all play their part, which is essentially financial. Finally, long before the top is reached, the tyro has become well acclimatised. For him, the path is so steep and tortuous and the air so rare that he can never retrace his steps. The subtle social inflections necessitate suitable expenditure of money; and short of a complete rupture which would mean ruination and the terrible necessity for a new and humble start, the forward pace must be maintained. Assistance

is bought at a price; and gestures, nods, looks, atmospheres, become redolent with a significance which needs must be apprehended. The final result is full and unqualified compliance with the system.

Thus there comes a fateful stage in a man's career when he must choose one way or another. He may see that his next step will involve conduct of doubtful nature. He may require to diminish veracity, to act unjustly, to exert unconscionable pressure, to serve unknown or openly bad objectives. He may have come to realise the enormity of the enterprise with which he is connected perhaps only for the first time since he became entrusted with secrets about high policy and methods. He could back out, but in most cases the filter makes this financially impossible, so he acquiesces and becomes the tool of his superiors. The position is virtually that of blackmail, and the first step away from the whispered counsels of conscience leads him in the end far astray. It is thus that debt sorts out the less desirable elements of the community and puts them finally in positions of eminence and power.

But it is not only on the owners and heads of industry that this pernicious filtration operates. It discriminates with diabolic subtlety at every stage of the employee's career, no matter how humble. In the lowest ranks those who oppose any abuse are immediately singled out for discrimination. They are "agitators," and when times are bad and men have to be dismissed, these recalcitrants are the first to go. The price of resistance even in this lowly situation is starvation for the man and his family and it says something for the badness of things that there are so many found to risk such a penalty. The filter, however, has a wide mesh for the "workers," but the least ascent in the scale diminishes the size until nothing but the pure article can pass.

The incidence of debt presses upon all, but especially heavily upon the middle classes, and whenever an employee enters their ranks he is subject to greater impositions, chiefly through debt and taxation. His endeavours to escape the drawbacks and unpleasantnesses of a lower style of life impel him to secure a better house, better clothes, better education for his children. Once started on this course, he can rarely retrace his steps, and so by every desire of manhood he is constrained to persevere even at the expense of conscience. It is a terrible predicament which no society should



countenance because it is the prelude to corruption and abuse of every kind.

The identical technique manifests throughout the whole Administrative mechanism. The higher branches are mostly recruited from those members of the community sufficiently well off to afford expensive education, and they are hence well filtered and conditioned before admission. The rank and file are admitted easily but only on a temporary footing. In order to become permanent they too have to be conditioned by training and passed by their superiors. The price of resistance to the system would be dismissal. No Civil Servant could survive for one day without giving complete obedience. The fact that he may be serving bad or unknown objectives makes no difference. The willing slaves receive promotion and increased pay and are thus again filtered out. At all times the barrier is financial, because the employee must live and must earn money even at the cost of making himself an instrument of tyranny.

In politics, as we have seen, the veto technique of money operates from the start. The candidate for political honours is subjected to a specially fine 'Financial Filter.' He may also be subject to the ideological filter, but in the higher flights of politics the unwritten code of conduct is very powerful. Again political success depends largely on patronage which is essentially financial. The interlocking by marriage and through vested interests as exposed in "Tory M.P." is sufficient proof. Indeed the leaders of the financial-industrial mechanism who have so far dominated politics consciously control the last and finest of the meshes for the sorting out of candidates for what are the highest honours available in our present degenerate society.

The armed forces use a technique almost identical with that of the Administration. The officers in peace time are accepted on various bases, partly educational, mainly social; but the criteria of admission are vested in the hard core of professional officers who hold the reins in all the forces. It should be remembered that the British oligarchy is a hybrid product of land and finance. This so-called old aristocracy is a misnomer in so far as its antiquity is concerned, but whatever its origin, it had been the ruling class for some centuries. Its power was vested in land ownership. When the new power of finance developed there grew up a class destined

to oust the land owners. This problem was resolved by the fusion of the two groups into the present oligarchy, but the price of union was the subservience of the newcomers to the social customs and mode of life of the landed aristocracy, which were adopted to the last button.

This social metamorphosis is not the least remarkable thing about that body of English people which is designated as Society. Let us suppose that a successful industrialist insinuates himself into the peerage as the first Baron. He acquires Letters Patent, a crest, coronation and parliamentary robes and a coronet having six large pearls on the chaplet. His style is "Right Honourable," and he also acquires, if he has not already done so, a mansion resembling a castle complete with ancient armour. It is noteworthy that the portals of the most exclusive schools open to the sons of these aristocrats.

But it is not necessarily titled persons who compose the oligarchy. Some of its most powerful members are neither titled nor are they landed gentry. Yet the group as a whole, through the 'Financial Filter,' is buttressed and supported by successive layers of society which constitute a defence in depth of the citadel of power. The "county gentry" are the group next in order of descent. Then come their numerous hangers on and imitators. These are mostly successful business men and industrialists. Some are, of course, born into this group; others gain admission. Money conditions it, but is by no means the criterion. The general acceptance of the unwritten code of Society is necessary, but above all is that loyalty to the status quo which is the final test. Farther out at the edge of the defences are the barely accepted suppliants through the universities and the learned professions.

Thus from this close interlocking of the financial, the titled and the landed classes comes the official caste at the head of the Administration and the armed forces. It is this small group of people comprising the upper and ruling stratum who form an effective if mainly unconscious implement in the manipulation of centralised power and are the mainstay of Sanctions, since the officers of the armed forces belong almost exclusively to their ranks.

The 'Financial Filter' operates with equal success in the mechanisms of education and religion. Candidates for admission require an expensive training, and this is the first discrimination.

Capacity without cash is a drastic handicap. It is true that self-made men from the plebeian strata of society may attain to high rank in either, but they do so by favour which is again bestowed for subservience to the status quo. One need only think of methods of appointment of and the control exercised by the hierarchy of the church and the Ministry of Education to realise the truth.

The filtering power of the money mechanism is a supreme example of an artifice *which is not consciously directed by anyone*. It is, in fact, self-operating and an inherent part of the machine but it operates with surprising efficiency at every level and part of society. It is the inevitable result of the general scarcity of money resulting from self-cumulative debt. All must get money under threat of the direst penalties and in the ensuing scramble the filter mechanism becomes highly effective. It should be noted, however, that the veto power of money is not in itself a bad thing. On the contrary it is an excellent thing which, under a free and positive money system, would prove an equally effective weapon in favour of the people. Debt money puts this weapon exclusively into the hands of the debt owners, hence the tyranny.

Closely allied with it and forming a vital part of central power is the question of publicity and, as it is now termed, propaganda. The filter is rigorously applied to every person in this machinery and thus it has become unbelievably corrupt. The trouble begins with the technical means of publicity, which are so expensive that only very wealthy corporations can utilise them. All the large newspapers are under the direct control of one man to each group of publications. These men are nearly all members of the pseudo-aristocracy and all belong to the oligarchy. Their so-called editors scattered up and down the country are merely super sub-editors who have to take orders from on high as to all matters of policy. These newspapers may appear to be taking different lines of "fighting" one another, but this is only an appearance. All serve the interests of finance. Moreover, the few "independent" journals are each run by a body of directors who for the most part are unconscious servants of the oligarchy and likewise direct editorial policy.

The technique of news publication deserves attention. It should be noted that there are two ways of distorting the truth. One is the

direct or positive lie. This variety is clumsy and, except in time of war, unnecessary. The other is the indirect, negative or inferred lie, and is the especial prerogative of the press. Centralisation of power is much assisted by 'Negative Lying.' This technique is widely used in Great Britain. We have only to remember how tendentious and inaccurate have been the portrayals of recent events, as proof of this accusation. On the vital subject of American politics and affairs especially since the presidency of Roosevelt the British public has been kept in ignorance. On major events between the two World Wars in India, Japan, Italy, Russia and Germany, the same eclipse became almost a permanent feature. It was therefore with angry and incredulous surprise that the true situation finally dawned upon the people of England; but to have expected anything else in this citadel of world finance would be naive indeed.

The question of publicity is also vitally linked with a factor to which overdue attention is now being paid. This concerns the sources of information. Again it has to be remembered that the collection of genuine information from all parts of the earth is a highly technical and expensive business, and such agencies as supply it hold newspapers and the public in the hollow of their hands. The origin of the 'Negative Lie' is probably here. Consider, for example, the case of an independent newspaper of standing. The editor lives in a provincial city and is tied to it by the exigencies of business. He is expected to purvey news daily from Tokio to Timbuctoo and to comment suitably. His facts are sent to him by private wire from London. But where do they originate? Who gathers them? Who sorts them out, and passing some, retains others? Who pays the informant, what are his interests, his alliances, his personal objectives? The operatives of central power have not failed to understand these matters, for though they may, or may not, consciously direct policy, *they consciously resist any attack upon the 'status quo.'*

A remarkable proof of the actualities of the case is to be seen in the fierce official opposition in Alberta when the Social Credit legislature passed the Act to ensure publication of accurate news information. Any member of the public reading the terms of this Act would probably consider it trivial. Its object was twofold—to ensure, that all newspapers in Alberta would publish all the facts in

their reports of government matters, so far as this was possible. If from any cause false statements appeared, equal space would be given for authoritative correction; also to ensure that the same information which every publisher demands from correspondents to his columns, i.e., the names of contributors of articles, would be available to the people when demanded by their representative. This Act was duly passed by the Albertan legislature, but in the supposed democracy of Canada, the Lieutenant-Governor withheld his assent and it was then declared unconstitutional by the Supreme Court of Canada. Moreover, in the ensuing appeal of the Province from this decision, the Privy Council refused to hear Alberta's argument. Comment on this is unnecessary. If men are to free themselves from central power, one of the chief points is the control of publicity.

Broadcasting and the cinema are now probably more potent in creating 'myth' than even the press. Here again the 'Financial Filter' operates, and it is a matter of indifference if the radio is privately owned or government owned. In the end the control of what is said is in the hands of the ruling faction everywhere and the 'Negative Lie' is an important weapon. In Great Britain the B.B.C. has a system of what amounts to censorship of all material since this has almost invariably to be submitted in writing before delivery via the microphone. Matters are worsened by the device of recording programmes which are subsequently reproduced, so that there is a high degree of official surveillance.

We have now to consider the technique of centralised power as it is effected from the government end. The obvious method for retaining control lies in the various official and semi-official services which are such a deplorable feature of all countries to-day. The citizen is registered at birth and at death and is pitilessly pursued by records at every stage of his career. Every conceivable information about him and his antecedents is available. Data accumulate round him from the nursery clinic onwards. His school and his occupational training are recorded, and when he enters into employment he is again classified and indexed. Should he escape from the ranks of the "proletariat" his whole activities and status could be laid bare by the simple act of scrutinising his income tax returns and bank cheque transactions. There is in fact no information lacking for the exercise of tyranny. To-day in Britain the citizen

is officially numbered like a motor car and is classified like a convict. There are licences and permits and ration books for almost everything and he is also a prisoner, for he cannot now leave the country without official permission. That these measures will have ended with the cessation of hostilities is not likely, so long as the present debt system persists. So drastic has this official surveillance become that the information now available, and the official sanctions necessary for existence, render the citizen completely impotent as against his supposed servants.

This system of tyranny through surveillance of the private person reaches its apotheosis in the frankly totalitarian countries. It is, however, far from a novel procedure. Indeed, a review of history shows that those who wield power resort with monotonous regularity to the same artifices and methods. Comparing ancient Rome with modern Moscow or Berlin shows no advance whatever except in the use of free energy and scientific devices to multiply power. But the methods are identical because they are rooted in the same basic outlook. This means the maintenance of the status quo.

As the leaders of 'myth' society are compliant and sinuous men who have passed the finest meshes with ease, they are unable to read the ample lessons of history. To them, the inevitable opposition has no 'realistic' significance. It is merely something to be swept away. The application of force seems to blind them to the obvious, that violence breeds more violence until all is destroyed.

In the history of all save primitive societies the application of centralised power is primarily possible through the existence of the debt system. It is secondarily conditioned, as we shall see, by the introduction of ideological factors, but these too are consequent upon pre-existing debt. In agrarian communities where the money system was not completely dominant this would not be the case; but in all recent society wherein liquidation of price by money is the sole means of access to goods, it is undoubtedly true. It is pre-eminently true of all imperial systems whereby subject peoples are in bondage to the banking system of their rulers. The absolute need on the part of everyone to get money which is always in short supply, together with the existence of large numbers who enjoy the exercise of power, makes the creation of obedient officials a very easy matter, and the completion of the enslavement is then only a question of time.

The part played by the ideological factor is one which deserves attention. This has not so far been conspicuous in the "creditor" but it is of the highest importance in non-creditor countries. Here, as we shall see, there arise 'Myths of State.' Sooner or later one of them emerges to be the accredited or official ideology. This is born of fanaticism and nourished in corruption. The leaders of such movements are of necessity men of violent and, maybe, of criminal nature. They surround themselves with other ideological thugs who then resort to rascality and violence.

The corruption begins as soon as the ideological elite endow each other with special privileges. These at once constitute a bait for admission to the ranks. They also act as a filter to keep back those of tender consciences. The bully and the sneak pass the meshes most easily, to reinforce in turn the power of their superiors. All aspirants to what are euphemistically called Party honours are thus tested and tried. Their every move and opinion are known to the leaders and soon a sub-current of blackmail exists. The strong ones are made stronger thereby, and the weaker ones are afraid to back out. When the latter are too numerous, a "purge" takes place, so that the balance is kept on the side of the leaders. Furthermore, the effect of the wage system under a debt technique is such that the whole of society is finally infiltrated with the ideological virus. Not the humblest workman can get or retain a job unless he gives unquestioned allegiance to the Party; for every workshop has its spies and officials who have a power over the employees such as no "capitalist" employer ever had.

This leads us to consider another device of government for the exerting of power over its subjects. It has been aptly designated by Major C. H. Douglas as the coercion of successive minorities. It is based on the simple plan that a bundle of sticks can be broken by breaking each stick separately. It is astonishing how easily this well worn method serves. Its success is due to the fact that opposition to central power is felt to be ineffective when exerted by individuals not in co-operation, though this is probably an error. To raise an army by this technique is simple and the method has been regularly applied, wherever conscription does not exist. The original peace-time nucleus always consists of "volunteers" enlisted for a few years' service. Their duty is "defence"—that is, they will not be expected to go abroad to fight, but only to "defend"

their homes against aggression. The first error on the part of the government consists in making any conditions at all, because no government has or could have the power of carrying them out.

To call any kind of military service by the designation voluntary is a misnomer. The only voluntary part lies in the original act of enlistment. Joining an army is only voluntary in the sense that getting married is, but once the new status is accepted there is little hope of backing out. Whatever the government cares to decree, the "volunteer" finds in practice that acquiescence is the only possible course, and if war breaks out, all the conditions are swept away. Whoever heard of any government which granted to its soldiers the freedom to withdraw from service as and when they pleased? Once war begins voluntary recruitment is ample or it is not. In the former case the government bides its time. In the latter, compulsory service is enacted. In any event it will be enacted sooner or later.

Now there is nothing more terrifying to governments than united opposition, so they move with caution. They commence compulsion modestly. Just young single men, of course, of a restricted age group. The victims are few in number and of no social consequence. The young men grumble but accept. The married men, the older men, thank their stars. Perhaps they won't be called upon and perhaps the war will end soon. One minority has thus been coerced. Soon, however, the age group is raised and another minority comes in. Reserved occupations are enumerated and large numbers of hopeful patriots seek employment therein. They do not understand that the fundamental barrier to complete militarisation resides solely in the incapacity of any government to organise immediately the official machinery, the living quarters, the training, and the thousand other necessities for the transformation of millions of civilians into soldiers. This inevitably takes time, but soon all is ready and a succession of minorities is coerced as before. The age groups are extended at both ends until finally raw youths, married men, decrepit oldsters, and people of every occupation find themselves swept into the net.

This technique is employed not only in military coercion but in every realm of government. A perfect example is to be found in the British income tax methods. This tax would have been unacceptable if universally applied at the start. But it was only applied to a small section of the community and on a modest scale.



The coercion proceeded by successive minorities until at last the goal is reached—all are involved. This manoeuvre can be seen everywhere. So universal and so effective, it is one against which men must be continually on guard if they value liberty. Like fire, it can only be quenched at the start.

The next governmental device which plays a noteworthy part in the technique of central power is committee rule, which involves two great evils. These are power without responsibility and rule by anonymity. If government is ever to function effectively, the present technique will require to be drastically altered, and amongst the overdue changes is the reform of committee rule. The Cabinet is the chief of such committees, but every department of State is governed by them.

The committee technique is based on 'myth,' It is the result of personification whereby a congeries of people is supposed to think and act as an individual. To those who accept such abstractions there appears nothing incongruous in the idea that a committee says or does something. Now a committee cannot, as such, say anything. It is true that the secretary can and often is instructed to say something which genuinely represents the unanimous opinion or view of all the members. But very often the secretary says only what is the majority view, and if there is sufficient at stake and the members have been chosen aright it may be that what the committee says is in reality only what some anonymous person desires it should say, and sees that it is going to say, by using devices and manoeuvres well known to experts. In fact, committee rule usually resolves itself into arranging matters so that two, or even only one, of the members has any real understanding of the business. If it is complicated it is at all times difficult to get even one man who combines intelligence with strength of character, Such an individual then spends his time in inducing by tact and other means the acquiescence of the remainder, and this in fact is quite regularly the practical substance of committee rule—the manipulation of the members by one or two of their number.

This does not mean that committees should be abolished. On; the contrary, if properly used within their limitations, they constitute an essential part of the mechanism of stable government. The function of a genuine committee is to decide by free discussion on the fullest evidence what under any given circumstances is the best

policy. But it is not the function of a committee to carry out such a policy. To work effectively, any action to be taken should be entrusted to individuals who should then bear responsibility for the results. It is the supposition that committees (as opposed to individuals) take action, which constitutes the danger to liberty and renders easy the subjugation of the citizen. That a collection of men can act is 'myth,' since it is always individuals who issue orders and execute plans. But if men are able to act in the fatal knowledge that each as an individual has no responsibility, since, of course, it is the "committee" which acts, then manifold abuses result.

Since all ministries under governments are merely committees, it will be obvious how officials find it easy to evade responsibility. From the private person's viewpoint, nothing is more calculated to foment the deepest discontent than to be informed by an urbane gentleman (who is supposed to be his servant and is beyond doubt fed, clothed, housed and given other amenities at the citizens' expense) that such and such is the case, or this or that must be done, as it is the decision of the ministry. The ordinary man knows very well that it is in fact the decision of an anonymous individual and that the ministry, being a 'myth' concept, has little claim to 'reality' and that, to the extent it is fictitious, it is un-get-at-able. It is, in other words, an official apparition through whose diaphanous form the sword of vengeance or justice will harmlessly pass.

The evasion of responsibility through committee rule is hence bound up with anonymity, which is the eternal shield of the government servant. This anonymity pervades all offices and is utilised by the highest functionaries of the State. The personal decisions of such men affect the destinies of millions, yet they are taken by them not as individuals but as the minister for a department and, in the last resort, on the supposition that it is the State which acts. As the entire business of government in so-called democracies is done through committees and with consequent anonymity, it is obvious how the most egregious blunders and errors of omission are perpetrated with complete immunity from the consequences of such actions. Such a state of affairs is at variance with the fundamentals of human nature, in which personal responsibility is not only a matter of conscience but is the accepted normal human relationship. We understand this better if we think of an actual case. Suppose

a man of wealth were personally to deprive his employees of food and other necessities and thus make them live in want, his action would be justly execrated. But the same man, as a banker, might be the agent for a monetary policy which would accomplish the same ends. In the one case the sense of individual responsibility would be a deterrent. In the other, the anonymity and the fact that the sequence of events was invisible, would render such injustice easy.

Thus we see that centralised power is the ability to impose lines of action upon others. It is founded in the veto power of 'Negative money.' It manifests through anonymous and committee rule whereby individual responsibility is evaded. It is powerfully assisted wherever a political ideology is accepted. It is exerted upon the people by the operations of the 'Financial Filter' which only passes those who acquiesce in the debt system. The unnatural order of present society is thus maintained by the most powerful sanctions which exist not at the discretion of individuals so much as through the inherent nature of the social mechanisms.

## *Chapter Twenty-one*

### THE SOURCE OF ILLUSION.

We have now reviewed the structure of society to show the nature and source of centralised power. We shall here show the nature and source of illusion, without which the exercise of centralised power would be impossible.

For this task it is necessary to remember that the primary purpose of education and religion is to mediate 'reality' in their respective realms. But here we meet a considerable difficulty, because 'reality' cannot be defined or adequately described. Like love, joy or beauty, it is only known in experience, and this close relationship exists because the perception of these things is also a perception of 'reality.'

The purpose of religion, then, is to mediate the highest 'reality' possible to man. Unfortunately this is not accomplished by ceremonies, sacraments, beliefs or religious practices. These are mechanisms which, when correctly used, assist the accomplishment, but of themselves are valueless; and of all the useless expedients resorted to by men in their religious quest, the effort to grasp the highest 'reality' by the mind is the worst.

The purpose of education is to mediate 'reality' through the use of the body, the emotions and the rational mind. Thus vocational training differs from education. It is true that such training may enhance the content of 'reality,' as does any human experience, but this is incidental. Education proper, on the contrary, ought to be

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\* To mediate—"to act as a medium for."

designed directly to mediate 'reality' to the pupil along specific lines.

The criterion of true education, therefore, is the extent to which this is achieved, and hence the choice of subjects is secondary. Education which only trains the mind by formal exercises is but a small portion of the whole and is a means, not an end. In both religion and education the matter is summed up in this—that it is not the things experienced which are important, but the significance or content of the experience.

Hence sufferings and actions of a very commonplace nature, as de Caussade reminds us, may be the means of finding the highest 'reality.' And likewise education of a very simple and commonplace nature may also be effective to its true purpose.

But in so far as education fills men's minds with useless data and leads to a false philosophy, it inculcates illusion; and in so far as religion deceives men by abstractions and the wrong use of its mechanisms, it perverts all human effort.

In the light of these ideas, let us now examine religion and education as mechanisms of our present society.\*

In this mechanical sense, the word religion does not refer to interior experience or even necessarily to modes of worship. It means, in short, organised (as opposed to personal) religion, which is dependent upon money and the sanction of authority. For practical purposes it means those powerful organisations which have received the imprimatur of central authority and which in some cases are even State religions. In Great Britain these are the Anglican Church and the Church of Scotland as representing the State, the Roman Church as representing central authority both in Church and State and the various non-conformist communions which are at least dependent on the money system.

Education likewise as a social mechanism is that form of organised training which is dependent on central financial aid or authority and in practice means the schools and universities supported by the State or by money endowments.

Furthermore, we are here exclusively concerned with religion and education as pertaining to our European Christian culture, and if we wish to understand this we must begin by a survey of history.

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\* See Appendix E.

This originates for convenience with the story of ancient Greece. Unfortunately the generality of people know little about this old civilisation, except that in some vague way it was the source and origin of all human art and learning, that its people possessed perfect bodies and minds, and in fact mirrored a degree of excellence never since attained. This misconception will be dealt with more fully in due course, but it suffices now to point out that it is one of the destructive 'myths' of history.

Far from being the world's most wonderful civilisation, ancient Greece was nothing more noteworthy than an excellent example of a successful moneylender's enterprise, where lavish wealth, superficial culture and ostentation existed alongside misery, suffering, ignorance, and a chronic state of strife; but out of which from time to time also came genuine contributions to human welfare.

In the Hellenic heyday the ruling caste or oligarchy consisted of those who belonged to the leisured monied class, who despised manual toil and those who laboured at it, and who spent much of their ill-gotten freedom on several centuries of the most devious and impractical speculations which ever tormented the minds of men. It was precisely because they despised the industrial and manual arts and were hence out of touch with 'reality' that they failed to understand either this world or the next.

They were dilettantish theoreticians who dwelt in a realm of imaginings and abstractions and who thereby created a false orientation which, in spite of science, still dominates the European outlook. They created, in a word, the Hellenic-deductive mode of approach to phenomena, and the source of their limitations was clear—they had no religion to give direction. Paul puts the matter succinctly, "For all the Athenians and strangers which were there spent their time in nothing else, but either to tell, or to hear some new thing." (Acts 17, 21).

If then we are to understand the function of our present religious and educational mechanisms we must trace their descent from this Hellenic source. When Rome became mistress of the Mediterranean the Greek city states had disintegrated, but their intellectual culture had descended upon the city of Alexandria. Founded by Alexander the Great to be a link between Macedonia and the Nile Valley, this was a perfect example of the moneylender's capital. It was firstly and primarily the centre of the new commerce between Europe and

the Arabian and Indian east, and it was therefore a centre of Semitism. But as the usurer's spoils accumulated it became a great repository of official learning, and its libraries, museums and university were amongst the most celebrated in the antique world.

It was in full vigour in the dawning years of the Christian era and as the church became organised, the prestige and position of Alexandria assured it of a powerful representation from the new religion, and soon from that city radiated church government and Christian theology.

By the third century Christianity had made considerable headway in the Mediterranean and was well represented in the Roman empire. There the imperial rule had degenerated, as it must under 'usury,' into a gigantic and oppressive bureaucracy with the power of the State, as symbolised by the emperor, supreme and unquestioned.

But the early Christians were in no mood to submit to such a delegation of conscience. They refused to go to law with one another, and refused military service, holding that no man could at the same time bear arms and be a follower of Christ. It is erroneously supposed that they were persecuted because they held Christian views or "principles," but Romans had no interest in such unrealities. The gravamen against the new sect was that its members refused to give unqualified allegiance to the imperial power; and it should be added that if the Christian church is to regain ascendancy it is this same age-old challenge which will have to be met anew.

The reign of Diocletian had ended in 305 A.D. and with it the most atrocious of Christian persecutions, when Constantine, the bastard son of an Illyrian officer, was proclaimed emperor. By a series of military and naval victories, this monarch eliminated all rivals to the imperial throne save Licinius.

For nine years thereafter these rivals eyed each other in uneasy anticipation of the coming clash. Ferrero, in his "The Ruin of the Ancient Civilisation and the Triumph of Christianity" (Putnam 1921) says (p. 142):—

They prepared armies, sought alliances, and above all, exploited the struggle between the moribund old religion and the new faith which was supplanting it with so much energy. Constantine endeavoured with all his might to secure the support of the Christian element; Licinius relied on the Pagan element.

Constantine had already come to terms with the Christians in 313, by the Edict of Milan, which gave them extensive financial privileges. In the battle of Adrianople in 323 Licinius was defeated. Thus ended the diarchy and with Constantine as supreme emperor, official Christianity may be said to have been born.

It is difficult to believe that the official church even at this early period was to any particular degree infused by the life and spirit of Jesus Christ. Rather through the very loss of this spirit, it had fallen into dissension because its adherents were confused between 'knowledge' and belief. Bitter disputes and public brawls arose amongst Christian partisans and at once Constantine took fright. For his own purpose the unity of Christendom was urgent, and with the Donatists in the west and Arius in the east, it was time to call a halt.

Constantine was in no doubt as to where supreme power lay and made no pretence as to the Church's position as an appendage of the State. To stem the dissolution of his new ally he therefore summoned and personally appeared at the celebrated Council of Nicaea in 325.

The choice of this place is significant. Nicaea was a pleasant town within easy reach of the imperial residence of Nicomedia, and the council actually met in the imperial palace. We are informed that Constantine, who in the year following caused his son Crispus to be murdered and soon afterwards likewise disposed of his second wife Fausta, and who was then an unbaptised pagan at the head of the most rapacious moneylender's empire known, was accorded a ceremonious reception at the opening of the council, delivered an address on the occasion of his visit, and by various devices known to autocrats, exercised a deciding influence on the findings of the delegates.

Such information as we possess as to the proceedings sheds a lamentable light on the condition of the official religion. Embittered disputes arose and even fisticuffs were resorted to and finally the divine truth was arrived at by the process of counting the votes of the members! The council concluded "with a brilliant banquet in the imperial palace—of which Eusebius of Caesarea gave an enthusiastic account." (Encyclopaedia Britannica, 11th Edn., Council of Nicaea.)



It is worth recording that the four recalcitrant prelates who refused to subscribe to the new credo were sent into exile and the works of Arius condemned to be burned under pain of death. Referring to this celebrated Council, Ferrero (op. cit. p. 157) says "It is not an exaggeration to say that Constantine, in seeking to reconstitute the unity of the Empire by the aid of Christianity introduced a new disintegrating force, namely, theological disputes."

Now the rulers of the Roman empire had long recognised the value of education as a supporter of authority. They had organised what we would call secondary education into a complex State service wherein the "principles" of administration were laid down by the central government which also appointed and fixed the salaries of its professors. It is noteworthy that the curriculum was a Hellenized blend, with grammar, literature, rhetoric and philosophy as the chief subjects, i.e., a training in unreality.

At the dissolution of the empire the church survived and, with the aid of this Hellenized Roman education which was gradually adapted to its needs, became the politico-religious organisation it has ever since remained. On the philosophic side its clergy were profoundly influenced by Greek speculation, first by Plato and centuries later by Aristotle, the final outcome of which was the philosophy of Thomas Aquinas and the Schoolmen, which laid an indelible mark not only on official western Christianity but also on education, for which the church was responsible for centuries.

This mark is that of Hellenism, distinguished by its speculative, abstract and deductive tendency, which still motivates our politics, legislation, education and religion, and which has so saturated the social organisation that its eradication will necessitate the destruction of that organisation.

There is no clear evidence in history as to exactly how or when the deterioration in the Christian church began, but it was probably during the third century, because by the fourth century the ban on litigation and on military service had been lifted, and the sovereignty of the State recognised. The causal factors are obscure, but it is unlikely that the early association with Alexandria could have been other than corrupting, since this city was a powerful centre of moneylending, Semitism and Hellenism.

The uncanny facility with which men are confused and deceived is remarkable; but the devices are simple. One of them is the

deception of democracy, another is the snare of organisation, and a third is the creation of an ideological smoke screen; and all three are visible in the church by the fourth century.

We have seen that the technique of democracy was used at Nicaea to determine the divine truth, and it had been used to settle disputes on previous occasions (e.g. during the Gnostic and early Arian heresies). Now the method of the majority vote is suitable for certain purposes, but as a method of determining any kind of truth, it is fatal. Religious truth, or 'reality,' as it is called here, is not only the possession of a minority, but it cannot be attained at all by intellectual effort. To attempt to attain it by counting heads is to attain to falsehood.

The snare of organisation has also proved fatal to truth everywhere. Organisation can be justified, even in religion, so long as it is restricted to its proper 'objective.' Thus, it is necessary to have an organisation to conduct public worship, to maintain literature, to train ministers, and so on; but to attempt to organise the interior fabric of faith is to attempt the impossible. The effort to do so hinges round the assumption that religious truth is susceptible of intellectual demonstration and verbal description; but such assumptions are false, for religious truth is personal, esoteric, empiric, and unique.

This leads us to consider the third device by which men are deluded, which is the creation of the ideological smoke screen. The early church was also ensnared by this device, as witness the disrupting schisms by which it was torn. Again we observe the speculative and abstractionist heritage of Hellas.

While it may be legitimate and desirable to formulate a theology or a religious philosophy, in so far as the results are not based on 'knowledge' they have no absolute validity. But the church in its official capacity has insisted not only on the indubitable truth of such speculations, but on the necessity of their formal acceptance by the faithful.

It must not be imagined however, that the use of these three devices was consciously resorted to by anyone. Their origin is firstly in the mythopoeic faculty, but proximately in that original departure from 'reality,' which confused real wealth with financial or token wealth and thus permitted 'usury' to begin. Since 'usury' is dependent on an illusion, it is dependent for its continued

existence on the perpetuation of illusion. Also, since the entire European civilisation has been in varying degree in the grip of 'usury,' the automatic action of the 'Financial Filter' ensures that no person and no organisation rises to pre-eminence unless serving it.

In the Christian church this was achieved largely by the inter-locking of the moneylender's state with the educational and religious mechanisms. This has always been easy since the church's organic existence is a function of finance through its ownership of money, land and property, through its direct dependence on 'usury' and taxation, and by its benefactions from the rich and powerful.

It is true that within the church there have always been numbers of clergy and laity who were the recipients of spiritual experience and who, to that extent, had religious 'knowledge.' There has always existed an abundant genuine literature of 'reality,' and that sacramental power which is the peculiar heritage of Christians. Yet both sacramental power and the spirituality of private persons can co-exist inside an organisation which, by virtue of its inherent nature, can serve quite other ends than its faithful realise.

We need not examine the data of history any further. The forces in evidence in the days of Constantine have been active in varying degree ever since. The official church has always been permitted because it has served the interests of the financial oligarchy. Local factors and the shifting focus of financial and political power vary the picture, but in the last resort the organised Christian church has always sustained and been sustained by the power of money.

When we examine the final results of these errors and follies, we are aware of three ways in which the mechanism of religion through the organised church has sustained illusion.

The first is the mythic conception of an abstract and distant deity. It is true that this is not the view of professional theologians nor is it necessarily the official view of the churches. But the churches are composed of millions of people who know nothing about such matters, and it is beyond doubt that this conception is the accepted view amongst the generality of Christians. It is essentially the idea that God is a being outside of and apart from man and remote in space, that Christ is also remote both in time and space, and that this distant and anthropomorphic deity rules over a universe

according to a number of "principles" readily understood by His creatures.

Associated with these mythic views, buttressing them and supporting them at every turn, is a formidable structure of theology, doctrine and practice, of which the hymns and prayers of public worship are representative. The cruder conceptions, and especially mediaeval conceptions, of the atonement, of original sin, of heaven, hell, retribution, and others, are still vaguely adhered to and also drive home the idea of a remote personal God and a distant and inaccessible Saviour.

It is customary now to explain all this away by the fiction of evolution, so dear to moderns. Thus, we are told, religion has evolved; that these crude conceptions are the vestigial remains of the past, and that man moves on to ever greater truth. Alas, for this easy optimism, the reverse is the case. Whatever happens in biology, religion does not evolve. It arrives, and the passage of time only serves to corrode and decay it.

The second great device by which false religion confuses men is through the conception of abstract morals. The third is through the 'Myth of Action,' for the existence of which the organised Christian church is peculiarly responsible. Those devices are mutually related and are not Christian at all, but Greek. By these devices the observer deduces "principles" which are then supposed to determine action. In this way arose categories of sin, abstract virtues and vices and "principles" of conduct, and the fatal idea that Christianity itself could be reduced to a bundle of such "principles."

These abstractions have had pitiable consequences. They are largely responsible for the intolerance and the persecution which have cursed official Christianity; and they are the source of that awful social intolerance against persons held guilty of certain conventional sins.

The 'Myth of Action' is responsible for the complete paralysis of the church in all attempts at social amelioration or the setting up of a reasonable society. By this 'myth' the church's efforts are reduced to mere statements of "principles" which, in so far as they are high-level abstractions, have no validity whatever; and thus it has been only too easy, under the guise of these useless declarations, to avoid opposition to the terrible evils which beset society.

The proof of these accusations is clear. It lies chiefly in the church's impotence in both the religious and the social fields. It is reflected also in theological and doctrinal literature, much of which is worthless and irrelevant to the purpose of religion, and in the endless disputes, quarrels, schisms and persecutions of nigh twelve centuries.

It is seen in the fact that the technique of prayer, the most important device in the spiritual life, has been debased to the point of absurdity and has in fact almost dropped out of use except for the perfunctory petitions of public worship.

The mythopoeic tendency is common to all sections of the Christian church; but, contrary to popular view, it is most manifest in the Protestant communities and especially in the Calvinist, which are the chief religious supporters of the moneylender's State. The Roman Church at least pays lip service to the "principle" that 'usury' is wrong; the Protestants have never even heard of the word.

Indeed, just as the financial mechanism creates an inverted society, so it creates an inverted religion; and this is clearly apparent in that disastrous orientation whereby a Christian comes to think of "himself" as "having a soul," whereas the truth is that he is soul who has a body.

These errors are perpetuated by the subtle operations of the 'Financial and Ideological Filters,' which only permit the passage of useful persons and put them in places of eminence at every stage of the organisation. This filter mechanism picks out candidates for the ministry and conditions them by means of a system of education which is both classical and abstractionist. The outlook of the clergy is thus Hellenic-deductive. It is essentially non- or even anti-scientific, and produces the orientation to events here designated as nescientism which is the originator of powerful 'myths.'

That the church as a social mechanism has always supported the centralised power of the State, and hence supported unqualified State sovereignty, is undoubted. But all States are based on 'usury', and so the church members support 'usury.' And thus it is, in most European wars for many centuries the Christian church has unhesitatingly supported the cause of the State, the warring nations

each appealing to God to prosper their respective and opposing arms in the name of Christ.

The church, then, is the basic source of illusion and an unconscious supporter of the mechanism of finance. Organised religion as an active agent in the mediating of 'reality' and in the setting up of a just and decent society is stone dead.

Its history is a deplorable record of crime and cruelty. In all its major branches it has rarely championed the cause of human brotherhood or justice. It has subjugated men to the civil power and given its benison to human exploitation, not the least of which was the negro slave trade. It has been the supporter and instigator of war and much civil strife. By an incredible mass of speculations, which passed for theological and philosophic knowledge, it has so lettered men to illusion that they have actually tortured, killed and persecuted each other in the holy name of Christ.

As all bad systems in the end destroy themselves, so this mechanism of religion has accomplished its own destruction. It is certain that not more than about twenty per cent. of the people in Great Britain have now any church connection, and for the majority of this minority it is merely formal.

But the power of official religion, though now negligible, yet shows still through the mechanism of education, for which it was responsible for so long. It is the irony of history that this false education, which was used to bolster up false religion, has now been used to destroy religion.

The social mechanism of education has for centuries been a potent instrument for supporting centralised power by fostering illusion. It operates to-day through three sources. The initial source to which all are submitted is the elementary school training, which suffices for the great majority; the second is the specialised higher education mainly through the universities; and the third is 'Propaganda Education' to which all again are submitted.

School education is concerned with the three R's, but even these simple accomplishments are used to impress illusion. This is done most powerfully through the use of misleading history, and the tendentious material in the teaching of English and arithmetic (e.g. problems of interest, in prices, in rates of pay, etc.). But apart from the use of history the elementary school training is chiefly

important in that it prepares the mind to receive uncritically the 'Propaganda Education' to which all are finally subject.

The academic and technical training is the privilege of a very small but all-important minority destined for the learned professional and the administrative services. Such being the case the curricula are almost purely vocational and have little to do with education proper. Being vocational, the subjects taught are in the end determined by the needs of the financial-industrial mechanism.

One has only to meet representatives of the learned professions to realise the limitations of this system. Even scientific training has been debased and now barely serves to produce efficient technicians for the use of industry and the professions, as can be verified by a scrutiny of the average doctorate thesis.

The hypnotic hold which this academic education exercises over the minds of men is surprising, but this again is part of the illusion-making machinery and owes much to the present examination system. Realistically considered (i.e. by the final results in everyday life) this system is a failure. It is based on the assumption that worth and ability can be reduced to percentages and classified official diplomas.

The seriousness of this error will be understood when it is remembered that entry into the ranks of the church, law, medicine, teaching, the armed forces, the administrative services, and many other professions, including even nursing, is governed by the method of examinations and that promotion may also depend upon it.

Thus, teachers are not only chosen by examinations but are financially graded by the decree of central authority, so that an honours graduate, even if totally incompetent, is paid at the highest scale on the unfounded assumption that he is the best teacher.

The same pernicious system is used to pick out candidates for the Civil Service and other government departments. On the powerful evidence provided in Fielding Hall's "The Passing of Empire" (1919), it is to this method of selecting candidates for the Indian administration that we so largely owe the failure of British rule in that country.

It is noteworthy that the highest ranks of the British Civil Service are filled almost exclusively by aspirants who, having been trained at Oxford or Cambridge, have passed a very high academic examina-

tion which, for about sixty per cent. of the candidates even now, is in classics and history.

When we consider that this training with its Hellenic-deductive tradition dominates the Civil Service, the Diplomatic Service, the learned professions, the universities and the exclusive boarding schools where the members of the financial oligarchy and their henchmen receive their education, and when we remember the centralised financial control which dominates the system, both directly and indirectly by the 'Financial Filter,' we are in a position to understand the rôle of the educational mechanism.

The 'objective' is to create and sustain 'myth,' which it does in multifarious ways.

So far as the purely classical training is concerned, this is the fountain head. It directly affects a small but all-powerful minority, which is nurtured on the philosophic orientation of the Greeks, the juristic accomplishments of the Romans, and the blood-thirsty anthropomorphism of the Jews.

It indirectly affects everyone by a chronic tendentiousness which is remarkable. The chief instrument is through the teaching of history, especially school history, whereby men's minds are confused and biased by mythical conceptions in every corporate field, but especially through the myth conceptions of money, and of the State. The teaching of English is also an important means, by the study of plays, poems and stories, for the inculcation of the same false conceptions. Furthermore, the whole system, with its examinations and its artificial standards, fosters the idea that real education consists in the possession of official diplomas by which excellence is guaranteed.

The importance and power of this higher education as a source of illusion cannot be over-estimated because it conditions practically the entire upper middle class from which are drawn those who direct the whole apparatus of society.

This does not mean that the members of this class consciously subserve this rôle. The operation is automatic by the action of the 'Financial Filter' which rejects all who do not serve the status quo. It is in this way that the moribund classical system maintains

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\* The same tendency is clearly manifest in the U.S.A., as the scholastic records of eminent Americans will show.



itself, and that the nescientic approach is evident in all the activities |of government.

But the vast majority of people receive their knowledge and build up their mental framework after leaving school; and this majority is dependent for its instruction on the various means of publicity which constitutes 'Propaganda Education.'

It is when we view these publicity devices by the criterion of 'reality' that we see how false they are. The 'negative lying' of the press is notorious and the most elementary student of affairs knows how deceptive and tendentious the British press has been for years. It was, for example, this system which created a public opinion in favour of Free Trade, when in fact the truth was never at any time disclosed.

This same method has created very wrong ideas as to the political and economic forces in other countries and is at all times the dynamic of a pseudo-patriotism, behind which the financial power and the vested interests carry out their own policies.

The newspaper technique for the creation of illusion is ridiculously simple. The public press abstains from the giving of genuine news.\* In place of this the reader is given views; or opinions by anonymous authors or by public figures acting on behalf of authority; and the rest is padded out by small talk about personalities, snippets of pseudo-scientific or other technical information, and the sorry tales of criminality or the doings of the socially perverse. By the judicious addition of puzzles and games, free insurances and the like, the attention of the reading public is carefully directed away from reality. The chief medium by which this is possible is through financial ownership of the press, in conjunction with financial revenue through advertisers.

The cinema is another potent source for the creation and sustaining of illusion. As a news agent it also perpetrates the 'Negative Lie' for the support of hidden policies and it has distinguished itself by the glorification of war. As a medium for presenting plays it inculcates into the minds of millions of uncritical people utterly false and even base conceptions of life, wherein tawdry-emotions, the use of violence, and vulgar ostentation, form the chief pabulum.

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\*The late Lord Northcliffe said: "The greatest power of the press is to suppress."

The stage is almost equally blameworthy and vies with the novel in exploiting vulgarity and sensuality, while magazines, newspapers, advertisements, songs and plays are filled with an oblique sexuality which has debased procreation to the level of a lewd joke. This has unduly emphasised and greatly distorted the rôle of sexual experience, which when normally received forms such a vital part in mediating 'reality.'

Perverted education also makes extensive use of the arts, and especially of music, which has become incredibly debased. The demented doggerel which is wailed out to crazy music is obvious enough, but what few men have grasped is the evil significance of jazz music in all its variants, and the type of dancing which goes with it. Just as there is a somatic morphology, so there is a psychological. Since the individual follows out the racial development, so the modern Aryan contains in potentiality the entire emotional experience of past human evolution. Jazz music, the invention of an American Jew, is a monstrous atavism which tends to re-establish a lower racial focus of consciousness, and its contagion has corrupted every country amenable to the dictates of finance. It has even begun to take hold of the East.

Real education, whose correct 'objective' is the mediating of 'reality,' is based on all impressions received through the senses and transmuted by experience into ideas and concepts, which thus create the mental framework of reference. It has therefore little to do with school training which in effect merely prepares the sense mechanism to perceive appropriate stimuli and the body, mind and emotions to deal with them along narrow and limited tracks.

Real education begins with the gathering in of perceptions to build up a structure of 'knowledge' which, at its various levels, constitutes 'reality.' Unfortunately this is not an easy accomplishment because of the nature of the mental mechanism; since, if this is not understood, the mind departs more and more from 'reality' by the creation of 'myth.'

When this analysis is perceived, it becomes apparent how the present system fails. Those experiences of life which should be available to all for the gathering of perceptions and the building up of 'knowledge' become increasingly limited.

The only valid experiences are those directly received through contact with the phenomena of the natural world in its widest sense.

But in our present society the money mechanism inverts the natural order and interposes an artificial barrier between man and experience. This is largely because of the existence of huge urbanised areas whose inhabitants are obliged to receive experience of an artificial and indirect variety through the various media of publicity. By the extensive use of the press, the cinema, broadcasting and the arts, millions of people have in fact almost forgotten what direct experience of nature is like, and indeed come actually to despise it because of years of conditioning by this pseudo-education. They thus live in a world created by the mythopoetic faculty and sustained by incessant propaganda.

The proof of these accusations is not easy and most people will first reject the notion that all our education is false, but there is the simple test of the results. To witness them we have only to witness the awful state of the world to-day, and especially of those materially advanced peoples, asking ourselves in how far 'reality' has been unveiled.

In the mediating of 'reality' there are three realms of human activity which should play important parts—these are, mating and reproduction, work, and the ordering of corporate activity through society.

The present false education, as illusion maker, shows signally in the realm of reproduction. The materially civilised peoples are so perverted that they have come to regard not only the reproductive but the excretory functions, and indeed all bodily functions, as shameful secrets. This foolish unreality, supported by social convention, shows itself in the general attitude to marriage and parenthood. These grand spheres for human creative activity comprising the world's greatest industry, are shrouded in abysmal ignorance.

The blackest spot in this realm is, paradoxically, the idea that sexual experience is for its own end desirable and justifiable, an idea which is fostered powerfully by 'Propaganda Education.'

In the realm of human toil the corrupting effect of false ideas is very apparent. This is easy because all who have been seduced by the usurer's lie come to think of work, not in relation to real wealth, but to money wealth. In this way the mass of working people are deprived of their outlet for creative skill in handicraft and are forced to put up with soul-destroying mechanical work.

But of all human activity which has been dammed by false education, that of getting food is the worst. The vital part played by the soil and the necessity of its correct treatment are overlooked. Farmers are frequently regarded as "hodges" or Twentieth Century anachronisms, and the earth as dirt. The educational system indeed puts a false, and indeed an inverted, value on all activity, the most important aspects of which are overlooked, or relegated to a minor position, while work which confers the highest status and emoluments is trivial or unnecessary except as a supporter of finance-industry.

The unreality of modern education is to be seen in the menial equipment of its final products. These young persons are sent out into the world with a considerable knowledge of academic subjects, but in things that matter they are ignorant; and this ignorance is not accidental, but by its countenancing of 'myth' is calculated to prevent access to truth, thus sustaining and buttressing the present social order. So much is this the case that whole populations have been subjected to grievous malnutrition in the interests of the bankers and the industrialists, and yet people are so rooted in illusion that they do not realise this situation. They see in the destruction and sabotage of food and other commodities, and in the absurdities of an economic system which prevents millions from working while millions starve, almost nothing worth a single comment.

These defections all have their root in the elementary school system. So far as England is concerned, the educational mechanism grew up contemporaneously with that increasing centralisation of power which accompanied an increasing debt. It is significant that it was the Whigs, the bankers' party, who in 1832 initiated the system of an annual parliamentary grant for education, and this original grant was in fact administered directly by the Treasury.

By 1800 the State control of education was well advanced, and the same centralised system could be seen at work in France, Germany, and elsewhere.

The rise of "free" education and the passing of illiteracy were hailed as signal triumphs by the Nineteenth Century "liberals," who held that universal education, the necessary accompaniment of universal political suffrage, would solve all problems and usher in an era of peace and plenty. Alas for human hopes, the universal

spread of this false education, far from accelerating the cause of peace and brotherhood, has disrupted it. There might have been some hope for these aspirations if education had been 'realistic,' but its deplorable consequences are precisely because it has fostered 'myth' and put enormous masses of uncultured and ignorant men at the mercy of falsehood and tendentious propaganda.

This is in fact part and parcel of the 'myth' of democracy. In a natural order of society the superior man (in the Confucian sense, not the social) would come to the top, and the vast majority of people whose intellects are limited and whose sensibilities are crude, would be aided by being given access to the widest range of experience suitable to their individual growth.

False education, however, suggests that all men are equal, whatever that means, and that leadership can be created by the mystic method of head-counting, no matter what their contents. It is this meretricious system which has rendered possible the abstractionist political delusions whether of "right," "left" or "centre," which has created a false patriotism whereby the passions of men are artificially inflamed one against the other, and the lust to burn and slay is justified; and which fosters these calamitous illusions sustaining the social mechanisms, thus creating the pabulum of 'myth' with which men vainly try to nourish themselves.

Whatever the era, history demonstrates that the power and authority of the State have at all times been maintained by an alliance with false education and religion.

Here it is important to recognise in this alliance a vital and almost unperceived factor which is common to both mechanisms and is also dependent on 'unreality.' It is the 'Myth of External Authority' (i.e. authority external to the individual).

This undoubtedly originates in religion through the idea of distant and anthropomorphic deity. It is essentially a Jewish idea. Christ never taught subjection to any such *external* authority.

The subjection He taught was to an interior one. The Kingdom of God is within. The sanctity with which the individual man is invested in the light of Christian teaching exists because man shares in God's essence or nature.

If that is so then no external authority has any power of itself over men. It is certain that in some realms there must be authority of some kind, but it does not exist of its own right. It only exists

in so far as the interior authority in man gives it sanction; and hence the celebrated dictum of Blackstone, the 18th century jurist, that "no laws are binding on the human subject that assault the body or violate the conscience."

The Jews held a contrary view and the essential of their religion was submission to an external code. To the degree that the Christian church becomes Judaised it too accepts an external code, and we observe this phenomenon in every organised communion.

Official religion, then, creates an external 'myth' authority, an abstract God who must be obeyed in accordance with legalistic injunctions. Official education inculcates the same idea, the apotheosis of which is seen in the English boarding schools where the authority of the State, of the head master, of teachers and prefects and so on, is in practice absolute; and the penalty for disobedience is social ostracism and corporal punishment, where possible.

The logical end of this system is Naziism or other variety of centralised State control; and if it is desired to produce blind obedience, strict discipline and a leadership itself based on external authority, this is the system *par excellence*.

But if these are *not* the things men desire, then it is an evil one and certain to produce baneful results in society. It is in any event fatal to true individual and corporate growth because it dethrones man, the essential and eternal, and derogates conscience.

In the last resort, submission to external authority, without the real inner sanction, is merely a special aspect of 'unreality.' It is for this reason that the truly spiritual man rejects a purely arbitrary or external domination and thereby becomes a menace to any State which claims unqualified sovereignty over its subjects.

This challenge to the status of organised religion and education, however, does not mean that the labours of centuries have been in vain. We witness, in fact, a double stream of endeavour down the years. In religion we see a pure stream of 'knowledge' flowing steadily beneath the fabric of the official churches. At times this stream was a great flood of spiritual activity; at others, a mere trickle, while official corruption triumphed. And so it was with education, which through the medium of any subject in the proper hands was capable of mediating 'reality,' and has created a noble heritage.

But although education and religion have been perverted, it must not be supposed that this was deliberately done by anyone. On the contrary, it is obvious that teachers and the clergy have at all times acted in ignorance. To-day in Britain the system of education is so centralised that most teachers are in opposition to it; but the centralised power over religious organisations is not so clearly perceived by the clergy. Many are aware of the discrepancy between the church's actions (or more frequently lack of actions) and the Christian ethic, but they do not perceive that this is because the desires of the individual are inconsequent whenever he commits himself to the use of a mechanism.

Thus there exist valid history, science, art, education and religion but whenever power is sufficiently centralised, the official oligarchy organises everything organisable and bends all to the sustaining of power.

Since for 3,000 years the history of Europe is a history of 'usury' which is the history of the rise and fall of self-cumulative debt, the moneylender must bend religion and education to serve the ends of debt. In our present state of society, these mechanisms occupy the base of the social pyramid. Power resides in finance at the apex but all is sustained by the 'myths' created by false religion and education which together constitute a terrible *suppressio veri*.

## *Chapter Twenty-two*

### THE STRUCTURE OF SOCIETY.

Let us now present the substance of the various analyses which have been given. We assume that a man can conveniently be considered as consciousness utilising certain mechanisms through which, amongst other faculties, he thinks, feels and acts.

Now these mechanisms have 'objectives' and modes of action and their correct use demands correct conditions, just as for any other mechanism; and for a man the appropriate conditions are known.

On the positive or action side he needs a suitable alternation between rest and activity; and such is the nature of his animal economy that part of this activity, which we call work, must be devoted to provide for his physical needs. In our present society this work has been called employment, which has come to be considered either as an end in itself or as a means of getting purchasing power, and so it is held to be a laudable social objective to provide employment for everybody; and this, in fact, is one of the stated aims of all governments in the brave new post-war world.

But, viewed realistically, work is merely that co-operative activity whereby man acquires his 'basic needs.' These consist of food to nourish the body; shelter, which means house and clothing to protect it; and rest, meaning recreation in its widest sense of play and hobby, by which refreshment is brought to body, mind and feelings.



In a more primitive state of society the 'basic needs' are either acquired directly from nature or obtained and exchanged by simple methods; but this situation became radically altered by the emergence of highly specialised industries and the use of financial credit. These factors created vast numbers of people whose sole title to goods and services was through the medium of money in the form of wages.

In this way the entire community became dependent on the financial mechanism for access to its needs, and hence the dynamic and prime mover of society to-day is the absolute necessity for individuals to obtain money. This need, therefore, comes to take precedence over the 'basic needs,' and constitutes by far the most potent environmental pressure conditioning human activities. Money, in its widest sense, is thus the life blood of society. It permeates every interstice of the social organism and its influence is paramount; so that men have to think, to scheme, to work, not in order to subsist, but in order to get the money for subsistence, which is very different.

In so far as men are independent of money they live, as it were, directly. They see around them the whole furniture of nature: the seasons, the ups and downs of weather, the forces of water, light and air, the soil and its properties, and so on. With these factors and forces they are obliged to deal 'realistically,' and men accept them without demur, not only because they are inevitable, but because they partake of the essence of the universe of which man sees himself as part.

It is through an appreciation of his place in nature and by his response to the stimulus of the natural order that man develops and expands in contact with 'reality'; and he does so because the pressure of events forces him into an understanding of and co-operation with law. He is in a Baconian world, where the forces at work become inductively utilised to his own human needs.

But when he is obliged to work, not for subsistence, but for the money to obtain subsistence, he is no longer in a real world with its inescapable and accepted law. He is in an artificial world, a 'myth' world, created according to certain abstract ideas; and with this he has no part, no kinship. He comes thus into bondage to a false conception of the mind's creation, and so the acceptable and

natural servitude to environment is replaced by an artificial servitude to the mechanism of money.

This means that all human activities have now to be conditioned and limited, not by natural laws, but by the laws of the financial system, by bondage to that system. Furthermore, in a natural state of society men seek to satisfy their needs with the least labour, and when they co-operate socially they seek not the minimum but the optimum results. Thus the 'objective' of society in its natural order is firstly co-operation to obtain the optimum of goods with the minimum of labour.

But the 'objective' of the money mechanism is not this at all. It is, as we have seen, the creation of self-cumulative debt; and so there is at once an insoluble conflict; and human servitude to nature's laws becomes replaced by servitude to a mechanism which creates debt.

Moreover, according to an accepted legal fiction, those who operate the financial machinery are the administrative owners and legal trustees for all the money created. They are not the individual owners, but their position is such that they come to exercise the rights of owners. A creditor is the owner of money owed or due to him, and hence he has the ownership over what someone else holds or uses for the time being.

It should be remembered that the title to ownership in the last resort is that of human ownership. No one can conceive of the right to possess things being vested in other than individuals, although there are legal fictions to the contrary. It should also be remembered that no legal code recognises the ownership (by which is meant "the right of possession") of money as other than unqualified. The ownership of land, property, technical skill, and even of children and dogs, is legally qualified; but money, once acquired, can be used at the unqualified discretion of its possessor, no matter how absurd, unjust, foolish, or even criminal the purpose.

It is this unqualified right which makes money so potentially dangerous; and it is the peculiar privilege of the bankers' trusteeship which makes them so powerful. They create their token wealth by reason of the community's ability to create real wealth; but by the legal nature of money ownership and by the technical nature of

banking, all money comes virtually to be owned by the bankers as legal creditors, as against the whole community as legal debtors.

Here, in a sentence, lies the complete servitude of men to the financial mechanism. Yet it must again be noted that the bankers, as individuals, are nevertheless not the sovereign owners of the money they create. They are rather the temporary custodians and operators of a very complicated apparatus which has grown up over centuries, which they themselves did not create and do not fully understand.

What they know well, however, is the relationship of the working parts and the conditions necessary for their efficient operation. One of the vital conditions, which they must see to as trustees, is the exercise of discrimination as to the nature of their debtors and as to the use to which these debtors will put the credit.

In other words, the business of bankers is to see that their debtors are credit-worthy. So it is inevitable that when central banks create their 'negative money,' they never advance it to private persons or organisations whose stability cannot be relied upon. This is the reason why the central bank is the bankers' and the government's bank. It confines its operations strictly to two live debtors which provide the highest possible degree of security. One is the nation in the guise of the present centralised State, whose assets are the ability of the community to create goods and on which a lien is obtained through taxation. The other is the joint-stock commercial banking system, whose assets, legally their "cash deposits," are the same, but at one stage removed.

Another condition for the smooth running of the financial apparatus is the absolute necessity for interest payments on the money created. When a central bank creates credit, it does so either through the government directly, or indirectly through the commercial banks. In the former case, the interest charges are secured through rates and taxes, which is the chief cause of the existence of these tyrannies. In the latter case the interest is largely paid through industrial concerns and private persons, i.e. the public at large.

In so far as credit is created through the commercial banks, it is also put into circulation as a debt, but this time to private persons or organisations; and so the first duty of the commercial bankers

is again to determine the credit-worthiness of their clients. Here too the necessity exists to lend (or buy securities, which is the same thing) wherever assets are greatest, and this means to lend to (or buy from) the most financially powerful corporations or individuals.

For this reason (i.e. by the necessities of the mechanism and not by the discretion of individual bankers) the small man has found himself at a disadvantage and he has been forced to amalgamate with bigger men on the best terms possible. In this way chiefly has come about the destruction of the private trader and private enterprise, and the gradual centralisation of power into the hands of a handful of people who virtually control, though they do not personally own, all industrial wealth.

It is those people and the concerns which they operate, wonderfully interlocked in ways not at all obvious to the public, who are able to exert irresistible pressure at every point of the social mechanism. And such is the nature of the forces at work that at the very top of the structure these industrial leaders, through the medium of such financial enterprises as the banks, insurance companies, building societies and hire-purchase organisations, come to be one with the financial leaders and together constitute the core of the financial oligarchy in which sovereign power is vested.

It is important to remember that until recently (say, thirty years ago) the rôle and nature, and indeed the very existence, of central banking, i.e. The First Part, were secret. And we shall see that in consequence, and for a very long time, all legislation and all proposals for social reform, and certainly all Left wing proposals, have been concerned exclusively with the Second and Third Parts of Banking. It is obvious, to this very moment, that our national leaders, when contemplating post-war plans, have either not understood the First Part or have agreed that it is sacrosanct.

We have seen in some detail the nature and riddle of the seven social mechanisms. There can be no doubt about the predominance and power of money. It is apical and strikes down through the entire social pyramid. It controls and is served by industry, sanctions, administration, politics, education and religion. The result is the centralised power which enslaves men and finally destroys them. Finance determines how much and by whom

industry produces; how, where, under whom, and by what weapons the armed forces fight; what and how much taxes shall be imposed upon whom; what laws are possible or permissible; who become the legislators; who educates and what is taught; what religions is countenanced and who ministers on its behalf.

Now this unconscionable and irresistible power is exercised in defiance both of human nature and of the ends of human life; so it is inevitable that men offer opposition to it. The financial system has, therefore, to act energetically in self-defence, and this it has accomplished by the almost automatic development of two methods which, when recognised, can only excite wonder at their diabolic ingenuity\* and power. One is the use or threat of force to implement the financial decrees and to destroy any opposition to them. The other is the creating and sustaining of 'myth' so that men's minds are confused and they accept the facade for the real structure.

The threat or use of force to sustain finance is the less important of the two, at least in the "democracies." The actual or potential force is in the hands of the police and the armed forces, whose members, by jails, whips and firearms, are able to overcome any show of resistance, but this is only resorted to when all else fails. Normally the use of force is through the Administration in its rôle as tax collector and as the purveyor of the 'Social Services'

One has only to think of the dire penalties applicable to anyone courageous enough to refuse to pay taxes to understand the degree of coercion behind these financial devices. The law sees to it that although a man may evade payments to his creditors in the shape of private persons and institutions, he cannot evade payments to the money power. Taxation, loan charges, mortgages, charges on land and property, and other financial dues, have first call on the creditor's [sic, debtor's?—Ed.] assets. The same sanctions become apparent when anyone defies the decrees of the Administration, which means, in other words, the defiance of the State. The power of the Civil Servant is such that they keep watch and ward over every aspect of the citizen's activities and they thus sustain and operate the most extensive tyranny on record. Hence the police, the armed forces

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\* Again the reader is warned that I am not suggesting a necessarily consciously conceived ingenuity on the part of individuals.

and the Administration together form the Big Stick of Government which to-day is able to beat to a pulp the most powerful adversary.

Yet we must confess that the sustaining of the present corrupt order of society is not solely maintained by force, or even by the threat of force, powerful as this is. It exists largely and in the first instance because of the manifold illusions which men entertain about their activities in general and their social mechanisms in particular.

Each mechanism has a facade which is apparent to the public. This facade is in reality the 'myth' creation of men's minds, by reason of their false philosophy. Thus the banks are supposed to keep money in safe custody and to finance industry. Industry is supposed to exist to make goods, the mechanism of politics to make, and the Administration to execute, the laws, while education is supposed to exist for the inculcation of knowledge and religion for the salvation of souls. But we have seen that these suppositions are wrong, that these supposed ends are largely 'non-efficient objectives,' and that the social mechanisms achieve for other ends, only discernible by a close scrutiny of the workings of the apparatus in every case.

When once we have discerned these 'objectives' we are then in a position to understand the structure of society, which will now be made clear.

The primary source of power resides in finance, through the creation of 'negative money' which builds up a self-cumulative and irredeemable debt. This commences by the creation of the special kind of money peculiar to central banks and then becomes bank deposits. By the use of this in industry and in government ever larger cycles of debt are generated from it, until in the end all persons and organisations are in bondage to the banking system.

To keep this system on an even keel, as the superstructure of debt grows, necessitates an ever-increasing weight of ballast in the form of debt service charges. To procure these and to administer the machinery of collection necessitates an ever-increasing body of officials who eventually, in addition to being the tax-gatherers, become the law-makers; and in this way the present Administration, comes into being.

While industry certainly produces goods, the correct 'objective' of this mechanism is to permit the creation of new money by the monetisation of real wealth, present and future. Thus financial power, which begins in central banking, is interlocked with and strikes down through industry, and the Administration.

This power is applied in all "democracies" via the political mechanism. In Britain it vests in the Prime Minister as head of the cabinet and as First Lord of the Treasury, with whom are associated the various officials of the Treasury; and all are closely connected with the central bank. Acting in concert with this small coterie of officials are the other ministers of the Crown and finally the small peripheral crowd of ambitious politicians awaiting preferment.

Thus a small minority of men both in the Lords and Commons are the focus of financial power and constitute the parliamentary effectives. They include representatives at the very top of banking, insurance and other financial organisations, and of industry and the vested interests. These men, interlocked with the high officials of the Administration, the law, the armed forces and education and the church, come to form the financial oligarchy in which sovereign power is now vested.

But the British parliament consists of hundreds of Peers and members of the Commons, most of whom do not belong to the oligarchy, but are simply the unwitting agents of the ruling power because they have been nurtured in illusion by false education and religion.

When a country presents the facade of democracy, this indicates that the financial control is not yet complete. In this case it is necessary to create the illusion that the people govern themselves. The facade is the supposition that the public freely elect their parliamentary representatives, who in turn and in open debate decide upon and promulgate the laws.

In reality, the power to make laws is derived from sources far removed from the polling booths. The legislature in fact serves chiefly as a conventional battle ground for party jousts, so that while Sanctions and the Administration supply the force to keep the financial mechanism going, politics creates the smoke screen to prevent the electorate from seeing exactly where it is going. This

device only operates satisfactorily when there are two main parties, and preferably not more than two, each with its respective party organisation financially centrally controlled, and this was the situation in Britain up to 1914, and in U.S.A. up to about 1940.

Now the basis of financial domination by the centralising power of debt lies firstly in the creating and sustaining of the various illusions which are necessary for the maintenance of power, but finally in the frank and open use of force through the mechanism of Sanctions.

In the "democracies" the actual use of force is minimal since the 'myths' begotten of false education and religion suffice. This absolutely necessitates the existence of a State religion and a State controlled system of education.

Under this scheme the ends of the oligarchy\* are served by conditioning teachers and clergy with an academic training in the Hellenic tradition, and by ensuring that no one arrives at any place of power in these mechanisms unless hall-marked by this education and passed by the 'financial filter.'

It is thus that entry into the highest grades of the Civil Service is most likely if the candidate shows aptitude in classics and history, and especially ancient history; and that the ruling and upper classes send their sons to schools where such training is purveyed.

Now as the debt goes on increasing, as increase it must, the centralised power of the State grows in proportion. Thus the oligarchy becomes able to manipulate what is euphemistically called public opinion, by means of the vested interests, by "packing" the legislature (e.g. by creating new peers and nominating candidates for "safe" constituencies) and by obtaining control of the media of publicity.

In these processes, however, an increasing number of persons becomes beholden to and associated with the oligarchy, and so the time arrives when it is unnecessary to suffer the delays and circumlocutions of politics any longer. The stage of political dissolution is marked by the demise of the Party system, by the impotence of

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\* Again not necessarily the conscious personal ends of the individuals composing it.



back-benchers, by the decay of genuine debate, and finally by the emergence of the cabinet (or committee) rule.

Coalition thus arrives and we have what is pleasantly termed national government, which situation (1946) has been in increasing evidence in Britain for about thirty years and is beginning in the U.S.A. The frank and final stage of one-party government is to be seen in Russia.

By this stage the superior men who originally staffed the learned professions become fewer in number as culture and character are extinguished by the awful pressure of debt. Thus the professions decay, and persons totally unsuited by temperament and training become the fearful representatives of learning.

Once the independent superior classes are swamped, the farce of pseudo-democracy ends, and the mechanism of politics, by now merely a pretence, and being redundant, is destroyed.

A subtle change then pervades society. The decay of politics is accompanied by the decomposition of religion, which first becomes purely formal and then withers away. Education also atrophies but not before it has helped to emasculate its religious progenitor by means of ridicule and the "higher criticism."

In this way, therefore, are eliminated successively the mechanisms of religion, education and politics, and society is left to function with the four remaining mechanisms of Finance, Industry, Sanctions and Administration.

During these processes, however, the destruction of individual sovereignty becomes complete. But as this produces more and more discontent so the people resist either openly or secretly. The centralised power of the State can then no longer depend on 'myth' for its existence, so it has recourse to the use of force.

This is done by the institution of a secret police, and by the use of the mechanism of Sanctions, in which a highly organised, highly paid, well equipped and ideologically filtered army is a necessity.

This, then, was the pre-war situation in Russia, Japan, Germany and to a lesser extent in Italy, and we can see the emergence of the same situation in Britain and, though in a still earlier phase, in the U.S.A.

When the process is complete, as it is in Russia and was in Germany, religion and education as mediators of 'reality' are

frankly expunged as positive handicaps. Religion is supplanted by any convenient 'mythical' substitute and by propaganda for the maintenance of whatever State ideology happens to be acceptable; while education consists of a bare literacy for the masses and vocational training for the needs of the four functioning social mechanisms.

Propaganda education becomes absolutely centralised, and through it a ceaseless torrent of books, plays, broadcasting and newspapers pours out to inculcate the new ideology and the new plans for society.

In this way the "servile state" is born. It has only two classes—the government and the governed. The former consists of an omnipotent committee, backed by armed force, and served by an immense bureaucracy. This bureaucracy becomes the new elite—the new aristocracy in other words—endowed with special privileges and powers, under which the mass of people are doomed to an enduring servitude.

This analysis all but completes the picture of the usurious or power society, but one further and very important question remains. Is this society the result of a conscious, fore-ordained or deliberate plan on the part of some person or persons?

When we read the animadversions of critics we are led to assume that the leaders of the social mechanisms, and especially of the financial and political, are wilfully bad men, or hypocrites, or guileful persons scheming by subterfuge towards certain ends while ostensibly pursuing others; or we are given tendentious pictures of bankers, industrialists, churchmen, and what not, all suggesting conscious activities for their own purposes.

Here, however, we have to differentiate carefully between individual responsibility and responsibility for policy. In the last resort, since ignorance is no excuse, individuals are in the moral sense responsible. But in view of the complexity of our social mechanisms and of the great difficulty in recognising their true 'objectives' it is of practical value to differentiate between these two varieties of responsibility.

All know, for example, that policemen punish and hangmen hang, and that a miscarriage of justice sometimes happens. All know that soldiers kill and destroy by government edict. Yet these individuals

are not acting towards personal ends but are officials operating mechanisms towards ends specific to the mechanisms, and it may be towards unknown ends.

This applies equally to Civil Servants, as the public generally recognises, but people have failed to perceive that the same applies to those at the head of the mechanisms of finance, politics, education and religion. A short personal acquaintance would quickly dispel the idea that such leaders were conscious deceivers, or frauds, or hypocrites. Churchmen, educationalists, politicians, the seniors of the professions, and even bankers, are for the most part amiable and well-intentioned citizens, regularly idealistic, high-minded and cultured.

It should be said, nevertheless, that idealism and culture and the best of intentions are not a sufficient basis for a man's actions though most men would attempt justification on such grounds.

The truth is that there is no evidence for a conscious or deliberate plan for society on the part of any person or persons. There is no financial oligarchy in the sense that there is a ruling faction operating a deliberate plan to a specific end. This expression and many others used here are Collectionist abstractions for convenience of description.

For the most part, those men who direct the mechanisms of society begin with no other plan than the gaining of a livelihood in their respective professions. Their arrival at the top is due to a large number of circumstances over which they had no control, and is effected mainly by financial filtration. Putting it bluntly, their eminence is due more to good luck than good guidance. Many of these men are quite undistinguished even in their own field and have a very narrow outlook. The bankers and industrialists, with few politicians and administrators certainly run the whole machinery of society, but they do so as specialists each within his own specialty, and as such there is a necessary co-ordination toward financial ends but none towards any other.

They use their power without conscious direction because they are in ignorance of the 'Philosophy of Mechanism.' They handle efficiently very complicated machinery whose parts they understand but whose 'objectives' are unknown to them.

To attack these leaders in person on the grounds that they are blameworthy for the evils of the systems they operate is an error fraught with serious consequences. On this erroneous view, attention is focussed on individuals and not on the machinery, so that in times of stress the public wrath is apt to be misdirected against them; whereas to destroy the individual but leave the same machinery of society is to ensure the continuance of the evil.

Yet though this is so, it is nevertheless true that if a new order of society is ever to be created, it will be achieved by a totally new set of leaders, since those in power are the highly filtered products of 'negative money' and are incapable of change.

As we shall see, an essential feature of efficient social mechanisms is the automaticity with which the apparatus works, and this was at its highest in the present financial mechanism. After centuries of growth and experience, this device operated with marvellous ingenuity and precision, not the least marvellous part being the 'Financial Filter.' Granted the initial use of 'usury' in its major forms, the future course of society is predictable; but since the generality of people are unable to make the necessary inductive examination of the system, they tolerate a society which continually runs counter to their needs and aspirations and allows enormities which would never be permissible to any individual.

When a still deeper analysis is made it is apparent that 'usury' and all the abuses which result from it are due in the last resort to the existence of something for which there is no acceptable English word. It is the existence of "avidya," which is a gnosis or nescience, and is the source of all human error and suffering. Men have failed to understand their own essential nature, and the mechanisms which this uses, and especially the mechanism of the mind.

Having fallen away from 'reality,' they have created a vast superstructure of illusion and have unconsciously contrived elaborate social machinery which they have never properly understood.

To sum up, therefore, in a series of postulates for our present society, we may affirm:—

- (1) The source of power lies in the financial mechanism which occupies the apex of the present order of society and dominates all beneath.

- (2) The source of illusion lies in false religion and education, which are the bases society rests upon.
- (3) Both power and illusion originate in nescience, which obscures 'reality.'
- (4) No person or association of persons has consciously constructed or directed the mechanisms of society to their present ends.

Thus it is that men, through the creation of 'myth,' come into complete servitude to forces of their own creation and have inverted the whole of society, which cannot serve the purposes of human life and is in process of being destroyed.

# *Part Five*

## **The Liberation of Man**

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*Everything that liberates man and leads him back to himself, everything that arouses in him the principles of his own life, of original and truly independent activity, everything that gives him strength to be himself—all that is true, all else is false, liberty-destroying and absurd. To man freedom is the only legitimate and beneficial influence. Down with all philosophic and religious dogmas, they are only lies. The truth is not theory, but action, life itself—the community of free independent human beings, the holy unity of love, which springs from the mysterious and infinite depths of the personality.*

Bakunin, 1845.

*He who would do good to others must do it in Minute Particulars. General Good is the plea of the scoundrel, the hypocrite, and the flatterer. For Art and Science cannot exist but in minutely organised Particulars and not generalising Demonstrations of Rational Power.*

William Blake

## THE LIBERATION OF MAN

### *Chapter Twenty-three*

#### INTEGRAL MAN

Having inductively analysed the social mechanisms, we are now in a position to advance remedial proposals for our social ills. In this, the fifth and last part, we shall commence with a survey of the nature of man and of society, and of their inter-relationships as problems in human ecology. A few chapters are then interpolated by way of criticism of the existing remedies, after which my own conclusions will be presented.

Clearly, if we desire to liberate man from his present bondage we must firstly know his nature and its needs. Man is an entity; that is, a being and not a mere bundle of attributes; and as such he has an essential nature.

If we are to deal with the phenomena of society, which is simply men-in-co-operation, we require to understand this essential nature. The Hellenic-deductive approach portrays man as a series of abstractions or "principles"; but the being so conceived is an imaginary or 'myth' man and, therefore, unreal. To deal with this fiction is to end in absurdity.

The scientific or 'realistic' approach begins by examining man as he is, which is difficult but necessary, because if the basic facts are wrong the subsequent conclusions are invalidated.

Is it then possible to come to general agreement as to man's essential nature? I believe it is, but not before clearing away certain obstructions which are a perpetual source of difficulty. The nature of 'knowledge' is the first stumbling-block. To repeat, the word



is usually taken to mean mental knowledge, but there are other varieties of 'knowledge' without the recognition of which the nature of man is incomprehensible. As here used, 'knowledge,' broadly speaking, is that which is apprehended by the various modes of perception. Perception is accomplished through sense experience, whether by the physiological senses or by any others (e.g. parapsychological, etc.).

'Knowledge' begins with what the body knows or perceives has its origin in the physiological senses. It is bound up with reflex action and the growth of habits. Bodily 'knowledge' is a simple but valid kind of experience, and all of us have developed many bodily perceptions of which we are bound to take cognisance, The desired kind of food, and general environment as to air, temperature, etc., are conditioned by these bodily perceptions, and they are, in the sense defined, 'knowledge.'

Then there is aesthetic 'knowledge,' which no one can deny. This is the perception (by what precise mechanism we cannot say, but certainly not by the intellectual mind) of beauty and ugliness, of what might be called the aesthetic feel of things. This kind of 'knowledge' is of the highest importance in human environment, but its function is barely admitted in our society.

Next comes what is pre-eminently regarded as 'knowledge,' that is, the mental variety. It is arrived at by perceptions of various kinds and is elaborated by the mental mechanism. Above the mental level, there are still other modes of 'knowing,' which will be described as 'apprehending.' These comprise the 'supra-mental knowledge.' In a science which hopes to deal with real men, we must take cognisance of the 'Supra-mental.' There are those who deny the existence of such realms or who believe that they are illusions of the subconscious and so on, and this is apparently the teaching of modern psychology; but I shall firmly take my stand on the reality of such 'knowledge.'

'Supra-mental knowledge' or 'apprehension' constitutes a formidable mass of human experience although there are people who seem unable to recognise it in themselves, just as there are people who seem unable to recognise beauty in music or in nature.

It is enough for me that I not only recognise it in myself but observe its recognition by countless others; and it is as widely

experienced, as well attested, and is an even more precious kind of 'knowledge' than the mental or aesthetic varieties.

Unfortunately its recognition is a deep subjective experience and it is therefore insusceptible of direct objective proof, though its results may be observed. It is that deep intuitive kind of 'knowledge' which comes to us all at the high moments of living—the experience of being in love, of the ecstasy of beauty, of the performance of some noble or unselfish action, of the promptings of conscience in its pure aspect, of the direct grasp of some great truth; but above all in the direct recognition of what I shall unashamedly call the spiritual truths which have been universally asserted and attested through all the revealed religions of history.

A recognition of these higher truths and the mode of their perception I account as a necessary ingredient to an understanding of Integral Man since these perceptions are a function of the true man or “Self,” without which all other kinds of 'knowledge' are devoid of direction and lead but to error.

A recognition of these kinds of 'knowledge' is therefore essential if we hope to understand man's nature and its needs. The most serious defects in our social machinery, and especially in our attempts to repair this machinery, are the consequence of truncated conceptions of the true man and his high destiny.

The nature of proof is the next difficulty to be removed in our approach to an understanding of man, whose dominant mental focus has lent itself to many absurdities, not the least of which is the idea that conviction as to reality or veracity must be arrived at through the mental mechanism. We see this absurdity even in science and especially in medical science. Thus we find that medical men are still trying to find "proofs" of drunkenness. These have failed because they rely on isolated physiological, psychological or biochemical data, which are only the by-products or accompaniments of drunkenness.

The absurdity of this mode of approach will be better seen if we try to imagine scientific tests for, say, being in love or being angry. It is true that there are scientists who are not to be deterred and have put forward various "tests," but what does it come to in the end? If a man looks at a woman in a certain way, or behaves towards her in a certain way, we all know that he is in love with her; but we

could not "prove" it. It is the same with anger. In a real world we have to recognise that these subtle perceptions which constitute 'knowledge,' while unprovable to others, are amongst the most real things men experience, and form the bases of a very large portion of the activities of men and of society. Therefore, in any 'realistic' approach we must be prepared to admit the validity of such perceptions, even though a satisfactory objective proof is not practicable.

The third obstruction deals with the conception of "cause." Although generally unaware of it, men's minds have become vitiated by mechanical conceptions. When we deal with mechanical things sequence of cause and effect is obvious and there is a perfectly good sense in which we can designate causes, but this does not apply to non-mechanical things.

Suppose a tin can is tied to a dog's tail, the question may arise whether does the tin can rattle because the dog runs, or whether does the dog run because the tin can rattles? The truth is that the question *as put* is unanswerable; which illustrates that the nature of so many problems is not a practical but a mental abstractionist difficulty, owing to wrong statement and question. The question as put implies what does not exist, namely a simple mechanical sequence of cause and effect between the tin can and the extremely complex structure whose true nature is absurdly simplified by the label "dog."

We are here dealing with man, his nature and his social enterprises, and we must begin by recognising that in the phenomena of human life there are no simple "causes" in the usual sense of the word. We observe a sequence of events wherein one event is determined by the preceding event. But this preceding event is determined by another preceding event, and so on. We see a causal nexus, but not a cause. It is important to recognise this, because much false sociology is based on its inadequate recognition. Having disposed of these obstructions, we are now in a position to describe what man is, for our present purpose.

It will be convenient first to say what he is not. There have been constructed by nescientists a remarkable series of 'myth' men. The most popular of these abstractions today is the economic man. This egregious simulacrum is a man whose needs and nature are

expressible in terms of money—wages, rent, cost-of-living index and the like. A popular runner-up is the political man. He is a being created out of the Utopian 'myth' and he inhabits a world of bourgeoisie, proletariat, capitalist, or what not, in which there exist "classes." There are other abstractionist men, such as the physiological, who is simply a mass of reflexes, of amino-acids, fats, glucose, colloids and the rest; and the spiritual, who is very often the complete negation of everything.

If we are to find 'reality' we must rid ourselves of all these conceptions and ask what man is. He is not a theoretical contraption of physiology, anatomy, psychology, and so on. He is man simply as he happens to be, man the individual with his own unique body, emotions, and mind, each with its personal tendencies and qualities. Not one is like to another over the whole earth. This is the pre-eminent recognition for any attempt to solve our problems, and if we lose sight of his uniqueness, his individuality, we enter the world of illusion. We have to accept him with his likes and dislikes, his prejudices, habits, and beliefs, through the gamut of his personality; and he is then for us 'integral man.'

His first requirement is the satisfaction of the needs of the body as a mechanism. These are for food, shelter and rest, and constitute the 'Basic Needs.' The necessity for food is obvious, but here we must inveigh against dietaries conditioned by economic limitations. That men can live in full health on merely physiologically adequate diets is not true. No diet is adequate which is devoid of constant change and an occasional luxury; nor dare we pretend that men can function normally without alcohol, tobacco, or other mild alkaloid, since we are dealing with a real world and not a world of idealism. Food, then, includes not only the recognised physiological necessities but other items which custom and experience decree as necessary.

Shelter includes clothing, heating and housing. Again it does not mean minimal needs. Clothing serves not only to protect but to adorn, and the aesthetic and social requirements must be considered. Clothing also serves for ceremonial and for purposes of rank and station, and these make for that diversity which is the essence of individuality. Housing needs to be more than a wind and water-tight box. A dwelling must be efficiently constructed and equipped for its 'objective.' Privacy and silence are equally important and

equally necessary, though not assessable economic aspects of the problem. Rest means recreation in its widest sense and includes play, change of work, hobbies, the pursuit of pleasure or of non-vocational study. It does not mean a minimal period of unconsciousness between bouts of work.

In addition to these 'Basic Needs' men have a wide variety of other needs, all of which go to make up that criterion of 'reality,' 'human satisfaction.' Like love and other things real to men 'human satisfaction' is incommensurable and admits of no proof. It is a variety of 'knowledge' whose focus is probably 'supra-mental,' but any scheme of society which does not place 'human satisfaction' in the first category of needs is foredoomed. This satisfaction touches men at all levels. There is the need for decency in living, for efficient houses with efficient apparatus, for friendships, for partners in marriage, for children, for education, for travel and for what are properly and conveniently described as the good things of life. The non-recognition of these essentials for satisfaction in our society is peculiar, because when men are adjudged deserving of punishment by that same society, and are imprisoned, their punishment consists simply in forced deprivation of these very things.

These, however, do not conclude the list of human needs by any means. The emotions have needs for their full development—needs through aesthetic experience, and especially through the mating and reproductive functions. The mind has also very important needs which demand satisfaction, ranging from the humblest technique of mental activity to the highest demands of culture.

But the supreme and final need of humanity is the 'knowledge' of the highest 'reality,' which is the unveiling of man's essential nature or "Self." Giordano Bruno truly said that this is like the need of water to find its own level.

Without this supreme 'knowledge' nothing satisfies. Augustine's memorable words recur to us:—"Great art Thou, O Lord, and greatly to be praised; for Thou madest us for Thyself and our heart is restless until it rest in Thee."

This divine nostalgia, the source and centre of all dissatisfaction,

is the dynamic of all activity, which is the eternal quest for what will satisfy completely.

Go where a man will, try as he may, do good or do evil, he does all and tries all by the imperious pressure of the "Self." This cannot be mind-proved. It is 'knowledge' of the Supra-Mental kind, being pure 'Apprehending'; but no scheme of society will endure which fails to give it recognition.

To know thus is bliss, that final 'reality' in whose consuming flame are burned away all needs save the barest for bodily necessity.

To expand the individuality thus is the chief end of man, but growth in 'reality' requires proper conditions, such as are almost unattainable in Occidental society, where visible activity alone is a measure of efficiency. This is evident from the common English idiom about "doing nothing." Thus, to sit and feast the eyes on nature is doing nothing. One of the most serious sources of human dissatisfaction to-day is the confounding of physical inactivity with inaction. Unless we are to admit the need for "doing nothing," we dethrone the human and make man no better than a beast of burden. Life becomes futile the instant we forget the end of existence, and permit activity for any other end, or even for its own sake. This is precisely what, in ever increasing degree, the financial mechanism imposes on us. Life becomes an empty round of doing things which are meaningless. In Upton Sinclair's description, "We go to work to earn the cash to buy the bread to get the strength to go to work to earn the cash to buy the bread," and so on.

To live properly, it is the significance of experience, even of the humblest and most commonplace, which is of vital importance to man. This significance cannot be grasped without time and opportunity. Putting it another way, we are so busy doing things that we have no time to utilise experience. The pace is too hot. Leisure is rightly understood as free time from occupation. It is commonly used for purposes of play and sport, but there is another variety of use which assumes importance as maturity and age approach. It is contemplative leisure, which is the unique human technique of browsing on events, of chewing the cud of experience, to digest out the virtue of living. It is the tragedy of European and American culture that in it there is no place for contemplative leisure, which, far from being a doing of nothing, is a doing of the

one thing which pre-eminently separates man from animals. At one end it is a simple turning over of events in quiet seclusion. At the other it represents the highest activity of man in contemplation of 'reality.' It is a phase of creative quiescence, the very antithesis of inactivity, which is vital to human welfare and satisfaction. It represents the solitary aspect of development in distinction to all other phases of activity which are best carried out in fellowship with others. This should be the systole and diastole of individual activity, the outward and the inward turning cycles of living which are necessary for growth.

We have described man for our purpose, and now we ask what is the goal, the end, the 'objective' of man? Here we must be careful of misleading abstractions. We recognise that this end, whatever its nature, does not properly admit of statement or description, for it is 'supra-mental' and therefore not susceptible of definition. There is, too, a sense in which living is its own end, if we understand aright what living is. To present the object of life, the greatest of men have ever had recourse to symbol and allegory, and have thus made plain its transcendental quality.

To keep to 'reality,' to keep to something which will form the greatest common measure of agreement, we cannot do better than give Major C. H. Douglas's statement:—"The object of life though unknown, is something towards which the most rapid progress is made by the free expansion of the individuality." Here we have a clue to the entire problem. Men desire satisfaction at all levels. They desire this not for its own sake but because only through it can they achieve "the free expansion of the individuality."

This can be interpreted in another way. All experience is significance only as it mediates 'reality.' 'Reality' is apprehended at every level of consciousness. The workman apprehends it by mastering the realities of metal, wood, stone, and the like; the salesman by dealing with the personality and having a knowledge of his products; the farmer by growing things and his contact with nature; the artist by beauty; the saint by holiness. All alike are necessary elements of experience and the saint may also apprehend 'reality' by working in stone just as the workman can toil in holiness.

Now the wider the contact with 'reality,' the more the individuality expands towards perfection, until the highest 'reality' is reached. This widening of contact is a function of *freedom of choice in action*. This indicates the essential requirement for man to achieve his 'objective'—freedom.

Probably more nonsense has been written about this than any other sociological subject, though the matter is simple when considered 'realistically.' It is easy firstly to say what it is not and what no one really supposes it is. It is not the complete and unfettered freedom to do as we please. Such a thing has no existence. Freedom, like love, is not susceptible of definition, but the humblest man knows when he is deprived of it, which is enough for our purpose. No proof is needed, nor is it possible. Men have a deep intuitive approach to this matter, and herein they manifest a higher kind of 'knowledge.' Freedom is something so basic, so necessary for the expansion of the individuality that no society can endure without it. Political freedom is not only a small aspect of this great field of human satisfaction, but owing to the operations of the financial mechanism, the present variety is counterfeit.

The essence of liberty is this. Freedom is not infringed by the necessity of obeying natural law or the law of one's being, but it is infringed by arbitrary interference with what will be called individual sovereignty. The 'realistic' test of political and economic freedom is that of Major Douglas, who described it as "the right to choose or refuse one thing at a time." There is, however, an important variety of freedom which involves the categories of the mind. It has been shown how the mind destroys 'reality' by the creation of 'myth' and illusion. The fullest freedom is reached by successive detachments from the thralldom of mind. Only he is perfectly free who has destroyed all such illusion, and is thereby enabled to see 'reality' in its wholeness. He thus perfects 'knowledge' at all levels, and his perfection consists in an understanding of all laws, and especially the laws of his own being, through which the causal nexus is revealed. He is then liberated, "saved," and has accomplished the purpose for which he became man.

Freedom then consists of the exercise of individual sovereignty under the aegis of natural law. This sovereignty we cannot easily



define, but it may be described as the rights and prerogatives of manhood. It does not vest in infancy and childhood, as is universally recognised. No one deems the parent of a baby to be depriving it of liberty because it is fed, dressed, and in nearly every respect treated at another's discretion. But as character develops and the individuality expands, then certain rights vest in it. These consist, for example, of the privilege of marriage at choice, of independent work, of reward for one's toil, of the right to possess things and to use things which are properly one's own (clothes, their kind and colour, for example), to educate children as desired, to embrace religion, or no religion, to have and to express opinions, to meet in free association with other men and women and to move about the world, and so on.

Again we approach 'reality.' None of these rights can be exercised in unfettered freedom. The question is intuitively approached and settled, and society to function effectively must accept the finding of individuals in this respect. It is beyond doubt, that the sense of freedom is not infringed by the necessity of obedience to the rule of natural law; but the human spirit refuses to be bound by arbitrary interference. Thus a man feels no deprivation of liberty in having to maintain his wife and family, but he would object to his inability to maintain them in a community which restricted or destroyed its produce. He would not feel his sovereignty infringed because he became soaked through omitting to take his raincoat; but if he were arbitrarily prevented from purchasing one in a community having thousands for sale, the matter would be very different. Similarly, a parent's sovereignty would not be infringed if his son could not receive a higher education by reason of natural ineptitude, but it would be derogated if that education were debarred for any arbitrary reason. The practical question of freedom is not difficult. It is not, however, one susceptible of proof or capable of definition. It is a question of a specific kind of 'knowledge' which the community must recognise as an essential for stability and progress. Man's goal is richly served when the exercise of his sovereignty is made possible; and if not, he will fight and suffer until he is liberated from tyranny. But whether he will fight and suffer effectively and wisely is another matter. We shall see that so far in history he has not done so.

The question of freedom is closely involved with the social mechanisms because these are devices which subserve specific 'objectives' and hence limit the exercise of sovereignty. These mechanisms are the result of man's co-operative efforts which thereby are conditioned and limited. If the social machinery is to be effective it must work in consonance with man's essential nature.

The matter can be stated thus. Individual sovereignty is a fundamental attribute of 'integral man.' This is not a theory or an abstract principle but an indubitable fact of life. Whenever it is infringed resistance is provoked. Such resistance may be open defiance of external authority, but it is mostly secret and subversive. This is the unrecognised reason for failure of bureaucratic control and oligarchic domination. No human enterprise can succeed without positive active effort on the part of individuals. It does not require active opposition to destroy the enterprise, as mere individual neutrality is sufficient. The 'integral man' expands towards his goal in mutual co-operation and fellowship. Domination by centralised power destroys positive and mutual co-operation, yet these simple truths appear to be incomprehensible to political and financial leaders. Deluded by 'myth,' they imagine that success depends upon the ingenuity of the machinery, irrespective of its final goal. The inefficiency of society and the deep individual conviction of its futility are products of the intuitive resistance to outraged liberty. The results of this failure to respect individual sovereignty make up the tragic tale of centuries of history which disgrace the name of humanity.

One aspect of this failure requires special mention. We have indicated the nature of the 'Basic Needs.' It is a disastrous error to imagine that these needs come first and are to be satisfied at any cost. In the end they must be satisfied, but it is the tragedy of political ideologies that their promulgators fail to realise that satisfaction must be compatible with individual sovereignty. An example of the precise opposite is to be found in gaol. Here it would be possible to provide the prisoners with all the food, shelter, clothes, rest, and recreation they desired. Indeed, this appears to be the aim of certain American prisons, even (as in Mexico) going so far as to allow regular "conjugal visits" of women to their husbands! The inmates may get varied food, extras and luxuries

by money earned, cinemas, plays and music, access to books, study courses and religious exercises. But the prisoners are still in prison. What, then, constitutes their punishment? They have their needs satisfied, but through the sovereignty of another, and this in fact is the essence of punitive detention. Failure to recognise this results in the conversion of entire nations into vast prisons. The inmates of these ideological penitentiaries are prevented from escaping and are obliged to work, to play, to breed, to die, at the behests of others who have seized sovereignty. *Is this the liberty men are called upon to defend with their lives?*

A 'realistic' approach to these matters becomes impossible to those who live in illusion, which prompts the recognition of yet another terrifying source of human bondage. It is the prevalence of nescientism, whereby men are not seen as they are but as they are believed or imagined to be. Thus they are not regarded as beings or entities, but as attributes, as bundles of "Principles" or other abstractions. To regard men in this way is to destroy liberty at a stroke. It is to believe that life is lived according to Pseudoprinciples and that to modify life it is only necessary to make counter-application of other such principles. In this way there come into being political theories which have caused more tyranny and injustice in the vain hope of satisfying man's basic needs than all the despots of previous history.

If we are to develop a new society for helping men towards the goal of human existence, it can only be created when we understand the nature of man, the nature of society, and the laws of behaviour. 'Integral man' comes under the rule of natural law in all his parts. He is consciousness utilising a number of mechanisms which can only work efficiently, when their nature and limitations are known. Thus the body requires what we have called the 'basic needs,' while the emotions, the mind and the 'supra-mental' nature all require their appropriate conditions. We have seen that the criterion for these needs lies in what is insusceptible of proof, namely, human satisfaction. We must recognise that rapidity of progress towards the goal is conditioned by successive satisfactions, because it is only when one set of needs has been fully experienced and satisfied (satis = enough) that the man realises his true wants. Each must in the end ascertain for himself, and as quickly as possible, that the

satisfaction of the needs of his mechanisms is not enough. Moreover, society has to be conceived not as a static abstraction but as a collection of 'integral men,' each unit at his own stage of evolution. An essential of sound social science is to understand and to allow for this fact. Instead of social machinery being designed to deny experience to those who are little evolved, the greatest benefit would result from a legitimate encouragement of opportunity to discover 'reality' at first hand. The satisfaction of the needs of the mechanisms is not enough, for the final demands of the "Self" have to be met. Thus, and only thus, can man escape from the thralldom of his lower nature.

Yet if the legitimate demands of the mechanisms are not satisfied, want or deprivation exists. In so far as this is the result of natural law, the man accepts his hardships. In this case they act as powerful environmental stimuli to provoke powerful reactions whereby he acquires strength. But in so far as want is due to arbitrary interference by other men, this will never be acceptable nor will it act as a suitable stimulus for growth. In lack of understanding of this lies much of the world's present disorders. They are produced by arbitrary interference which abrogates individual sovereignty.

If we consider man as he is in 'reality,' we see him as essence or being and hence as a sovereign individual, whose nature might be postulated thus:—

- (1) 'Integral man' is consciousness operating through a number of mechanisms.
- (2) The mechanisms have needs which must be satisfied at all levels. The criterion of these needs is human satisfaction.
- (3) The end of man is not the satisfaction of the needs of the mechanisms but of the "Self." This is the discovery of 'reality' in the highest sense.
- (4) This end is most effectively achieved by the expansion of the individuality in freedom and fellowship. Freedom consists in the fullest exercise of Individual Sovereignty.

Hence we see in (1) the nature of man, in (2) his needs, in (3) his end, and in (4) the conditions for attaining that end. It will be observed that these postulates are not susceptible of proof, as that word is generally used. But they are none the less true, and their recognition becomes a matter of ineluctable and urgent necessity.

This recognition, however, is impossible so long as men are blinded by 'myth' and especially by political ideological illusion. Human satisfaction and the exercise of sovereignty are the absolute conditions for enduring and efficient social mechanisms, and their infringement has caused men to be enslaved by their own machinery.

Men demand security with freedom, and this we shall designate 'Basic Security.' To achieve this for all is now possible for the first time in history. The material means exist or can be produced. The universal desire for it exists. Can we so arrange society as to bring it about?

## *Chapter Twenty-four*

### INTEGRAL SOCIETY.

We have seen the nature and needs of 'integral man.' But man cannot achieve his goal single-handed. He is bound to co-operate in a multitude of ways with other men, and this activity of individuals in association creates society. We shall now consider the nature of society, after which we shall be in a position to relate man and his social mechanisms for practical use. Clearly, society is meaningless apart from the end and object of individual existence, and hence what has been postulated about 'integral man' lies at the foundation of any understanding of society. Now man is sometimes described as a gregarious animal. This is a serious error. Gregariousness is to live in flocks or herds, like sheep or cattle. Man is not a herd-like animal, nor an animal of any kind. He is a being, but he is at all times a social being. In other words, individuals are constrained to social existence by the necessities of their own and external nature. This is far different from living in herds, which are compounded of units living alike without differentiation as to function. So if we are to understand society aright we must comprehend the function of social living, whose chief feature is unity of purpose through individual diversity.

Before considering these matters, however, it will be useful to clear away certain preliminary difficulties, though once again we shall have to abandon purely mental concepts and mental routes to finding 'realities.'

Before we can perceive the factors at work in the making of human society we need to know what renders such a society possible. In the exterior realm of action it is clearly the need for mutual co-operation; but interiorly it is a manifestation of the 'unity of life.'

This unity in the domains of physics and chemistry is proclaimed in many ways, the basic fact being that matter, in all its manifold varieties and operations, is "of one substance." Nothing can be altered in the physical universe without in some way altering everything. This finds daily application in the remarkable interlock of the phenomena of light, heat, sound, magnetism and electricity. We can convert heat into light, electricity into almost anything and in fact any form of energy into any other; and all changes can be mathematically and exactly co-ordinated in terms of the appropriate units.

Then we observe the singular interlockings of the biological phenomena, evidenced in the geological eras of evolution as well as in current events. We see how alteration to one species causes concomitant changes in many others, and so on.

This is equally true of human life, as is seen in diverse aspects of social activity. Its truth in economic affairs is a commonplace. We note that the economic welfare of the world is that of a unit. Diminish that welfare at one part and all suffer. Increase it, and all are benefited thereby.

The same is true in the political and national fields. A party of discontents in a nation is a source of weakness to that nation and the ensuing disturbances may have the most distant repercussions. Nothing is more calculated to upset social equilibrium than widespread want or frustration; but even some tiny and apparently isolated event in one part of the world may affect the most distant peoples. Not only is this kind of human unity recognised, but it is now well enough perceived to constitute a vital basis of economic and political relations.

But there is another and more important aspect of human unity seldom perceived though of deepest import. This higher aspect is a central theme of Hinduism, Buddhism, Islam, and Christianity, though expressed therein in different ways.

It is the theme of the oneness of the human spirit, which is not to be demonstrated by mental proof, as its realisation is not a function of mental 'knowledge.' It is to be 'apprehended' out of the plenitude of experience which perceives this unity as an inescapable necessity of "existence." Indeed, in apprehending 'reality' it becomes the supreme fact of all existence.

It manifests as a continuum of consciousness in which all inheres. Within it is the life of atoms, plants, animals, men, and all beings, identical in consciousness yet separate in form.

This is the natural starting point in the consideration of human relationships since these are mutually interdependent in the closest manner. As in the economic field, so in the higher realms of human activity we see that what advances one towards the goal advances all, and what retards one retards all.

Not a thought, feeling or action can be manifested by any man, however humble, ignorant or evil, without repercussions on every other man.

This is possible because of the rule of natural law. It is this rule in the realm of molecules which makes natural philosophy possible. It is under the same rule that in the higher manifestations of human life every event is inescapably joined to every other event. Because the operations of this rule are slow and the causal nexus not apparent, men have come to disregard it.

Those whose approach to life is clouded by illusion, and to whom nothing exists which cannot be mind-proved, inevitably come to believe that events are more or less isolated. Hence they think that actions are of little consequence except in so far as their visible results are concerned. But it is remarkable in this age of acute specialisation that men refuse to listen to the accredited specialists in this realm. In writing to the Christians in Rome, Paul says:— "For none of us liveth to himself, and no man dieth to himself"; and to the Galatians:—"For whatsoever a man soweth, that shall he also reap."

This law of cause and effect applies to men in every possible relation, since all events are subject to it. It applies therefore to all the kingdoms of life and failure to recognise this is a fruitful source of many sorrows.



When actions are reviewed in this light we begin to understand the workings of the law in society. Whether men act as individuals or corporately they put into operation forces which in due time and season work themselves out upon them.

In this way is declared the solidarity of the human race, in which as Dostoievsky taught, each bears the guilt for all. Thus we see how deplorable are the effects of cruelty, injustice, violence and deceit. Is there, for example, no connection between these blood sports so essential to the social calendar and the shooting of men and women, no connection between the degradation of men and this disruption of society?

It is true that we cannot see the full outworkings of destiny, since these are beyond the reach of normal human faculties, yet the great spiritual teachers of every age have uncompromisingly declared this 'unity of life,' the rule of natural law, and the solidarity of men. The unity of the race is not a cursory principle or a religious theory but an observable fact capable of verification and daily verified although not admitting of proof and objective demonstration. Let a man abandon his theories and abstractions and approach to the abundant life around him with simplicity and directness and he cannot fail to perceive this solidarity and vital unity.

Since within this unity all events are tied to all others, there exists the fact of individual responsibility. If a man in his separated nature as an individual inaugurates courses of thought and actions he thereby alters the equilibrium of life with ensuing consequences, for which he bears the responsibility. There is no escape from this. It is the deepest, conviction of the human conscience and all experience proves it. The import of this is recognised in any personal action, for here the man acts directly and the consequences are generally apparent and knowable. In such personal action the sense of responsibility is a very real factor. But when a man operates through the agency of a mechanism the matter is different. In this case his conduct may have remote and unforeseeable results, especially if the 'objective' of the mechanism is not properly understood. One of the essentials of a just and efficient society therefore is that men should clearly perceive the 'objective' of their social mechanisms, otherwise they cannot feel responsibility in committing

themselves to their use. This is especially important with reference to the mental mechanism since the acceptance of 'myth' may produce disastrous consequences.

The 'unity of life' also explains another aspect of human conduct. As men are essentially one, their activities are manifest through the operation of the rule of natural law within an integrated nexus of events. To understand this we must grasp the essential nature of action, when we shall be in a position to know how events are produced. Those who are under the sway of 'myth' imagine that all actions have a cause in a simple quasi-mechanical sense, but this is far from the truth. Actions have no such cause but are simply parts of the sequence of events. Nevertheless, while there is no cause there is something which provokes action. There are two necessary and complementary parts—the environment from which the provoking agent acts, and the organism upon which it acts. Action is the resultant of these two. The dynamic which stirs it out by the pressure of the environment is stimulus.

This is not to say that a man is at the unregulated mercy of physiological or other reflexes. Some action undoubtedly is of this nature, but most of it is not. Nevertheless there is no escaping the important fact of human experience that action results primarily from stimulus and does not result from the outworking of Pseudoprinciples. The pressure of environment, which means other and previous events over which we may have no control, acts upon us in certain ways and a response is at once evoked. The nature of this response depends on the development of the individual and the use he makes of his own mechanisms. Whatever the response, we designate it as action, which thus appears as an event in the arena of history. This event then sets other forces in the environment which repercuss in turn by the evoking of yet more action, and so on. Hence if we wish to understand the nature and rôle of society and especially if we desire to read history aright, we must hold this mechanism clearly in mind.

The next consideration is to understand the nature of human action, with regard to its objectives. When stimulus is applied and the man responds, he normally does so to satisfy some personal aim. We now ask whether such aims are the final objectives of human

conduct or whether there may not be other objectives. When from the altitude of experience a man looks back on the panorama of events in his own life, he sees them in a new light. He sees the ulterior significance and import in a way which was impossible at the time of their occurrence.

It is indeed as if life consisted of two parallel sequences of events, one above the other, separate yet linked, the lower apparently inducing and determining the higher. The lower is the nexus of stimulus and reaction which makes up life for the moment, with joys and sorrows, defeats and victories, and its strivings after personal aims and ambitions. But the passage of years shows events in another perspective. Then indeed the upper sequence appears. The man sees what dangers had been avoided, what possibility lay in apparently trivial decisions; and he realises that what looked like disaster was triumph, and what seemed victory, defeat, he has by then garnered the precious bloom of wisdom, he sees the hand of Providence, as it were, pressing him along, now gently, now painfully, but all the time firmly, to a goal at the time unseen and unrecognised. (Is it not this perception which prompts the Psalmist to remember God's mercies?)

The truth is that until men are spiritually mature they act towards personal ends (the 'Lower Sequence of Events') but subserve quite other ends (the 'Higher Sequence of Events'). How striking it appears when we consider that most significant of all human powers, our begetting. We initiate one series of events with our own personal objectives, but a quite unpredictable parallel series of other events results; and how strange are the caprices of fate! The idle amours of a Florentine lawyer and some Italian peasant girl create the magic hand of Leonardo; and who knows what dismal and sordid domesticity brought into being the genius of Beethoven. And yet no other concatenation of bodily attributes than these very ones could have provided the genetic ingredients?

When we ask what control men exercise over their affairs, we now realise our limitations. There are five happenings of the greatest importance to all of us—birth, education, occupation, marriage and death. What control has the individual over these? Over birth he has none, and over scholastic education virtualy

none. As to occupation there is a negligible control. It is true that there are a few strong and ambitious men who plan towards a desired end, but even in such cases how little devolves upon personal direction compared to the thousand fated factors over which the individual has no control! As for marriage, it is largely a matter of propinquity, opportunity and social position; and death, like birth, is forced upon all.

There can be no question, then, that over personal affairs the individual's personal control is very limited, and it is not therefore surprising that control over collective affairs is also limited. Yet men feel and know nevertheless that they are not the passive victims of circumstances, not automata blindly pressed along the way of life. The truth is that events are not controlled by anyone in the simple causal sense. They are phenomena thrown out of the causal nexus which interlinks all things in life's unity. There is a measure of control possible, however, both as to personal and collective events, if we approach the problem correctly, as we shall see. This depends upon a recognition of the relations between man and his environment, and hence a proper understanding of man and society. It is by the interplay of a variety of forces all added to and built up by centuries of human effort that organised society comes into being, and once we understand the factors at work we are in a position to determine its true nature.

Now society is not an end in itself but a means to an end. The end of man is to attain to the highest 'reality,' perfection. Therefore society should be a means to this end. In other words, the 'objective' of society should be to assist man to his goal. There are to-day certain theories which invert this natural order and suppose that man must conform to society and must serve it. In order to justify this such theories disregard 'integral man' and put in his place 'myth man.' The Positivism of Comte and the philosophies of dictators are examples of this absurdity. The indubitable fact remains that society exists for man and not man for society, and this is not a Hellenic-deductive principle but a statement of 'reality.' Man serves his appointed end by the laws of his being, behind which is the pressure of omnipotence. A society which assists him to this

end is therefore the 'natural order.' When the reverse obtains it is therefore the 'inverted order.'

The 'objective' of the 'natural order' being to help man to his goal, we see at once what purposes society should subserve. The first concerns the 'basic needs,' since they are necessary for survival. At our present level of civilisation these cannot be supplied without co-operation and differentiation of function, hence the highly specialised trades and professions. These needs have nevertheless to be supplied under conditions conformable to individual sovereignty and human satisfaction. But since man's final end is transcendental, the 'natural order' must also see to the higher needs of human nature. Obviously the 'basic needs' can be directly supplied since they are constituted of material objects but the higher needs are not material. Society therefore cannot be organised to provide them. It can only be organised to provide a field suitable for attaining them, and the criterion of true culture lies in efficiency with which this is done.

Here we learn by observing the record of the past. As races come and go, as continents rise and fall, and the long purposes work themselves out, we witness mighty civilisations being born, growing and declining out of existence. Many of them have left no reliable record at all. Others are merely surmised or known to us only by long buried debris and monumental remains. But these were in their day great countries with complex organisations, with millions of people differentiated as to functions, with noble arts, religions, laws, sciences and industry. If life is rational, their purpose is clear. Through them the men of their day and generation were helped to expand by experience towards the goal.

The 'Natural Order' of society assists man to develop by permitting the exercise of individual sovereignty. This has been defined as the rights and prerogatives of manhood, but clearly such rights can vary in amplitude. Thus a sailor marooned on a desert island would possess unqualified individual sovereignty but few means of exercising this. As men in civilisation co-operate to more and diverse ends, so the means of exercising this sovereignty increase in amplitude, which is yet another function of the 'Natural Order.'

In supplying 'Basic Needs,' in creating the field for the exercise of the higher faculties, and in developing the amplitude of individual sovereignty, society achieves these functions through its various mechanisms. The details depend on many factors, such as climate, available natural wealth, type of government, and so on, but in the last resort society is made up of the seven mechanisms already described. There are theories which hold that one or other ought to be or could be abolished, but a true civilisation necessitates them all in one form or another.

Since a mechanism is designed towards a specific 'objective,' in the 'Natural Order' these 'objectives' would be formulated in conformity with the nature and needs of 'Integral Man.' That which comes first and which directs and conditions all is religion and the religious mechanism. It takes precedence because man is more than his body, feelings and-thoughts; and his end is perfection through 'reality,' towards which all activities are the means. When this is not known, ends and means are confused and life loses direction. Religion is therefore required to give dynamic and direction and to provide reliable criteria for all other activities. Its 'objective' is to mediate 'reality' at the 'supra-mental' levels.

The mechanism next in order of importance is the educational. True education must be governed by the requirements of every need of man's personal nature. Its 'objective' is to mediate 'reality' at the mental and lower levels, and this it must do not by set curricula but by adjustment to the unique needs of each individual. It utilises mental, aesthetic, physical and vocational training to enable man to deal with nature objectively and subjectively at the respective levels of consciousness.

Next comes politics, whereby the people, directed and quickened by religion, educated to the fullest extent of their natures, and free to expand the individuality, are able to determine by consent and free discussion the desired policies of co-operation. They determine the 'objective' for which they are in association, but they do not and cannot determine the correct way to attain this. Politics is the science of government and is the means of adjustment as between man and environment through the correct use of the four remaining mechanisms of Administration, Sanctions, Industry and

Finance. Following Major C. H. Douglas' use of the word, it will be convenient to define 'policy' as what is desired as distinct from 'technique' which is the method of its attainment. The 'objective' of politics, therefore, is the determination of 'policy' in the sphere of government.

Administration is the mechanism next in order. It exists to carry out 'policy' by technical methods to be decided upon by experts, with individual responsibility for their actions. Administration is the executive to apply or carry out the law as made by the political mechanism. For this purpose it is assisted by Sanctions chiefly in the form of a police force. It would also include such armed forces as were required for the preservation of order and other necessary functions. The 'objective' of Sanctions is the upholding of the status and authority of the people-in-combination, via the legislature.

Industry then makes what goods are required according to agreed 'policy.' The technique for ordering goods is by means of money which would no longer impose arbitrary limits on production or consumption. Industry's 'objective' would be to provide, with minimum trouble, all goods required.

The last mechanism of all, under all and serving all, and in one sense greatest as being the servant, and the source and very life's blood of every social activity, is finance. Its 'objective' is to monetise the community's real wealth to whatever amount and for whatever purpose is desirable and physically possible.

Such a conception of society follows the 'natural order.' In it the dominating power of finance is destroyed; and since money would be 'free' and not 'negative,' debt would cease to exist. And with the disappearance of the debt would cease the centralisation of power which at present deprives men of their sovereignty. In it also consumption would determine production, and a united social policy would prevail without arbitrary pressure from any quarter. The confusion of ends and means would cease since the end of man would be truly served. Leisure would become the test of efficiency in industry, the fewness of the laws the test in politics, and the smaller the Administration and Sanctions the greater the excellence of government. The criterion of all would be the degree of security with freedom, i.e. 'Basic Security.'

The seven mechanisms constitute the organism of society serving 'integral man' by the fullest and freest provision for all his needs, and thereby the prevailing pressure would be towards co-operation and unity rather than competition and disunity. Such a unity must not be confused with uniformity. The former means unity of aim by diversity of function, whereby individuality would be accentuated. 'Realistic' religion would be encouraged and men would be free to turn to the search for the highest 'reality.' The contemplative life would resume its rightful place and through it righteousness would be manifest and true values set forth.

In the 'natural order,' moreover, the responsibility of the individual would be practically admitted. No longer would he be required to operate social mechanisms whose 'objectives' were unknown or repugnant to his conscience, for they would be designed towards ends consonant with his own highest purpose. True nationhood would thus be created. The present variety is spurious as it is rooted in illusion, and its effectiveness resides in the power of finance. In true nationhood there would exist that real coherence and unity which make nations the especial and honoured fields for the exercise of individual sovereignty. Each has its own gifts and attributes and each creates specific opportunities for growth in human experience.

Thus nations would not tend to be fused into amorphous units but would, in common with their members, develop their national individuality and sovereignty which are the prerogatives of politically free peoples. Far from tending to strife and jealousy, this would promote the fullest unity through diversity of function and thus would provide the most efficient field for human and sub-human evolution. The expansion of the individuality through the 'Natural Order' would be achieved by organic growth from within and not by planning imposed from without. It would provide the one and the only basis for stability in society. And just as unity is not uniformity, neither is stability stagnation. A stable society is not static but one steadily progressive towards its 'objective.'

To summarise the matter in conclusion—an understanding of society means the recognition of man's essential nature and the laws under which it operates. Society is a reflection of the 'Unity of Life' in which all events inhere and are interlinked within the



rule of natural law. These events have no causes but are the products of environmental stimulus in an unending sequence of events. Nothing can happen at one point without affecting all other points, which is the basis of individual responsibility. Men determine their own lines of action in accord with their own natures (their uniqueness) and thus create the 'Lower Sequence'; but this is accompanied by the 'Higher Sequence' which subserves "non-personal"\* aims. The aim of society is to provide a field for the perfecting of individual existence, which it does by the provision of the 'Basic Needs' through co-operative effort and differentiation of function, and by creating a suitable field for the exercise of higher human faculties. In such a society the 'Natural Order' of the Mechanisms is thus—Religion, Education, Politics, Administration, Sanctions, Industry, Finance.

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\* i.e. using the word "personal" in its correct sense (persona—a mask), as opposed to "individual."

## *Chapter Twenty-five*

### THE BASIS OF SOCIAL SCIENCE.

The story of humanity is the story of man's struggle with environment. For long ages this struggle was concerned largely with getting the 'Basic Needs,' and success consisted in the ability to deal 'realistically' with events. This conquest, however, was empirical because men had neither grasped the significance of law nor had they devised a conscious mental technique for dealing with phenomena.

When this was finally discovered, the first triumphs were in the domain of physical matter. Later on the events in living matter came to be understood; and as such the phenomena of society, which is a biological manifestation, should have been amenable to the scientific method.

This, unfortunately, has never been accomplished. Politics, which in its broadest sense, ought to be the science of government, so far has been achieved by methods which are the very antithesis of scientific.

The political and administrative machinery is run almost exclusively by men who are either steeped in the Hellenic-deductive tradition or are political ideologists; so that both groups, however much may separate them theoretically, have a common orientation to the phenomena of the society they hope to control.

This attitude, the nescientic, is quite worthless for directing or controlling affairs, since it is dependent upon the application of Pseudoprinciples and thus on planning towards arbitrary ends.

It is clear that politicians, instead of directing events to ecologically pre-determined ends, have no ascertainable ends and are themselves directed by events; while the governors of the nation are the victims of their own social machinery, which none show the least sign of understanding.

The evils are obvious. Probably the worst is the lack of private security in the midst of potential or actual plenty. Associated with this is the lack of the freedom and leisure necessary for human development.

The most acute problem, however, is that of directing societal ways compatible with human liberty. This age is one of tyranny. The people of every country have come in increasing measure under centralised State control, which in most nations is now absolute; so that resistance is only possible at the price of liberty and of life itself. State sovereignty in turn, is bolstered and buttressed by false education and religion, which will also require to be destroyed if society is to progress.

If, then, "humanity's ageless dreams" are to come true and a new order of society is to be created, it cannot be achieved except by the scientific observation and correlation of the phenomena of the rule of natural law. This has been aptly summed up in the introduction to an American edition of "Novum Organum" (Colonial Press 1900) thus:—

But it was Bacon who saw most clearly, and set forth most eloquently the glories of the promised land into which men were called upon to enter. He felt that under the false leadership of Aristotle and his mediaeval disciples humanity had wandered long centuries in a wilderness of empty words and vain imaginings. Throughout the course of his busy and often troubled life Bacon had never ceased to believe his true mission was to recall men from the study of words to that of things, and to point out to them the power and advantage to be gained from a true knowledge of nature, as well as to set forth the methods and means of which he believed such knowledge could be gained . . . . Instead of attempting to extract truth deductively by the employment of syllogistic forms, one must employ induction, must systematically observe and employ one's reason about things and their mode of behaviour. Moreover, in observing nature, one must come as a little child; must rid one's mind of all prepossessions and prejudices which serve to distort truth.

This simple technique the politicians never use. It is for lack of it that we have the lamentable and endless scissions of the

ideologists. Since Baconian-inductive methods are unknown to them, they wander in a world of 'myth' and end up with as many theories as there are theoreticians.

By this method it is impossible to accomplish anything worth while, and it is responsible for the failure of so-called democratic government by which abstractionists argue while the bankers act.

Apparently the masterpiece of the present political technique is the debate. Suppose, for example, that it is desired to make some change in education, or foreign trade, or in the social services, then parliament sets aside time for a "debate."

Such a system would certainly consternate anyone who, like the scientist or the engineer, was obliged to deal 'realistically' with events. One can easily imagine what would happen if a collection of six hundred men comprising company directors, banking and insurance experts, shipping magnates, patent medicine racketeers, large numbers of trade union officials, with a sprinkling of the professions and cranks, met to "debate" about building a new bridge.

What do they debate about? Is it to determine (a) whether the bridge should be built at all, (b) what kind of bridge it should be, (c) how it should in fact be built?

But these things have nothing to do with a verbal technique. They are factual and the correct decision can only be arrived at by those who have specialised knowledge of the problems.

To deal with events with the object of gaining whatever measure of control is possible over them absolutely necessitates the 'realistic' method of science. It is used by industrialists and engineers in dealing with physical events, and its success depends on the accuracy with which the facts have been observed and on the degree to which they have been correlated.

This technique will be more readily understood if we consider a scientific investigation into, say, the phenomena of light. The investigator approaches them with as free a mind as possible. He makes as many and as careful observations as possible. Having gathered a sufficiency of data, he casts about to discover what relationships connect the various events. If he is successful he is then able to exert control over them.

Now in all this there is no room for imaginings or personal opinions or theories based on cursory principles. He may, of course,

observe the phenomena badly or erroneously or fail to elucidate the correct relationships; but in so far as he is successful he arrives at positive findings which do not admit of dispute. In due course other investigators will follow up his work, and if the results are verified, so much extra power has been achieved over nature.

It is true that in the course of these investigations scientists will engage in discussion and criticism; but in the end there appears a solid edifice of knowledge which finds universal acceptance and application.

In the domain of politics, of economics, and other realms of social activity, we find a totally different state of affairs. Here is an infinite variety of opinions by which the enquirer becomes confused. There is nothing resembling the accepted fabric of science, but instead a mass of unrelated data into which any tyro can plunge, to emerge with still another theory. Yet the same solid structure, the same universal acceptance and application of positive fact, beyond dispute and above opinion, is possible in social science if only the correct approach were made.

Now the phenomena of society are not physical but biological and are hence more complicated; and so we must first enquire as to whether and in how far men are able to control human affairs at all. We can say what they cannot do. They cannot direct social events towards personal and arbitrary ends. It is true that nations rise and fall, empires wax and wane, races develop and dissolve, and that within the ambit of these mighty events exist the ebb and flow of personal human endeavour in its protean manifestations. Yet all is predetermined by the forces inherent in and developed from the whole flux of living, as it were "ex re natâ."

The illusion that men direct the destinies of nations is due in small measure to 'myth' history. It is a popular belief. Continentals, for example, believe that the British Empire resulted from a long term project concocted presumably by Queen Elizabeth, Raleigh and Bacon!

Nothing is farther from the truth. There was no plan, no long conceived project worked out in the brains of men, but a slow growth from within. The growth, and of course the decline, of nations results from the working out of the infinite varieties of energies inherent in them. It is, in short, the result of an internal development and not of an imposed plan.

Nevertheless some control over social events is possible and if we wish to discover its degree and nature, we have only to consider the analogy of the physical world.

It is impossible to deal with the latter until we understand the properties of matter and the laws regulating its relationships. Thus, it would be impossible to construct a cantilever bridge of lead since it would collapse under its own weight. It would be equally impossible to run water into a city if the reservoir were below the city level.

Yet all political ideologies and most laws are lead bridges and all control based on the 'Myth of Action' is an effort to run water uphill. In other words, control over social or any other phenomena is achieved only by obedience to natural law and is limited by the inherent qualities of the things dealt with.

Now the basic factor in all biological phenomena is the ecological relationship between the organism and the environment. A simple example is that of plant growth. Potato seeds will grow potatoes only. If it is desired to control the growth of potatoes the first step is to study this particular plant. It is then possible to do either of two things, or both—either the environment can be altered, by which method it is possible to modify the plants' growth, or the nature of the seed itself can be altered by selective breeding and in other ways.

If, then, men wish to control social phenomena they can only do so either by altering the nature of environmental stimulus, or by altering the nature of human response to that stimulus.

Here, however, there is an abstractionist danger. To commence with, it is necessary to determine what is meant by "man" and what by "environment." In the last resort everything which is apart from the "Self" is environment; but we need not allow ourselves to be embroiled in the metaphysics of the "Self." For most social purposes we can take human environment as everything external to the physical body.

We have also to beware of a too rigid or artificial distinction between nature and nurture, organism and environment. There are those who believe that the nature of the individual is all-important and that environment is of little significance. There are others, on the contrary, who believe that environment is everything and that human nature is, as it were, *tabula rasa* to be impressed accordingly.

The practical truth is that human development results from a continuous interplay between these two factors, which are essentially in functional unity; man repercusses on environment and vice versa, so that every modification of one produces a modification of the other in an infinite and endless sequence of events, which cannot be fully unravelled by the mind.

Social science, then, necessitates a sufficiency of knowledge about man's nature and its needs and limitations; and likewise knowledge of his environment, which includes the social machinery, involves effective mutual adjustment between man and his environment, which is the keystone of social science, and is human ecology.

Now science primarily gives us knowledge, but this knowledge needs to be applied. Thus social science requires a kind of engineering. This clearly is the function of the political administrative mechanisms, and raises the question as to how to bring about the necessary action.

It is impossible to lay down a particular scheme. All depends, on the course of events, but there is no question that the first step in theory should be through religion.

There are at the moment signs of a religious awakening, but they may be a temporary response to the pressure of war rather than a genuine revival of spirituality.

But whether the inauguration of a practical science of society will come primarily through religion or not, it is quite certain that it can never arrive until men's minds have been cleared of 'Myth.'

Moreover, there are certain preliminary requirements which will have to be satisfied. The first of these is the provision of accurate data, which is the ineluctable basis of the scientific method. The present situation, which originates in the Historical Cleavage, necessitates secrecy as to the policies and actions of the national oligarchies and, above all, of the international financial hierarchy.

It is axiomatic that secrecy means the necessity to hide something. There are, of course, such pseudo-secrecies as cover the mysteries of Good Templars, Buffaloes, Orangemen, and Froth Blowers; but genuine secrecy should not lightly be tolerated anywhere. That it may be proper under certain circumstances is beyond doubt. The important question, however, is not the hiding of information, but the reason why some person or persons should think it necessary to hide it. When secrecy exists in matters pertaining to industrial,

political, diplomatic, financial or military activities anywhere, it becomes important to know who determines the necessity for hiding the facts, and for what reason this is done.

At the present moment the passion for secrecy increases with each declension of the status of society, until whole nations are now shrouded in obscurity. Even the ordinary statistical economic information at one time regularly supplied by countries has been drying up and much of it has for long been inaccessible or deliberately falsified.

Russia and Japan are the worst offenders in all respects. Before the recent war the entrance and exit of foreigners to these countries were rigorously controlled, as well as all their movements, activities, and associations within, by the aid of police regulations and barefaced spying. Even photography was forbidden unless the films were developed by government officials and duly censored. Accompanying these government efforts to hide information from foreigners were the correlated efforts to hide information from their own nationals, who were likewise prohibited from going abroad or receiving foreign news.

It is evident that all countries had much to hide. The plea that this secrecy was necessary in self-defence is untrue, unless by this is meant the defence of the financial oligarchy.

Such secrecy, in fact, is not only never necessary to sustain freedom, but is part and parcel of the technique whereby that is destroyed. It may be taken as axiomatic that the deliberate hiding of facts, and particularly of financial or economic data, or penal measures, signifies guilt.

If social science is to be securely founded the setting up of an international organisation to collect reliable data is a *sine qua non*. Such an organisation would require to be staffed by men whose impartiality and skill in observation matched those of the best scientists. Its officials would be drawn from any nationality, race or creed, and would have a special status with unfettered freedom to enter any country and investigate any situation. Furthermore, the officials and activities of such an organisation would require to be free from any kind of central control and especially financial control. The most important data would be connected with finance and economics—industry, foreign trade, conditions of labour, and so on.



But it would also be very important to have information as to military activities and grievances of any kind, individual, corporate, national, or racial.

Penal measures would also be its special province. Probably nothing is more horrible in human relationships than the unjust; brutal treatment of prisoners. Such treatment exists in every country. It is indeed a necessity under a debt system, for nothing is more dangerous to this system than defiance of authority. Hence it is that the most savage penalties are imposed for offences themselves quite trivial, but which constitute a defiance of the State! Hence also the "cat and mouse" treatment of those who refuse various forms of national service. Hence the victims of German, Italian, Spanish and Russian concentration camps and the disguised penal organisations in many countries.

It is clearly impossible to create international peace so long as a considerable body of malcontents exists anywhere. It is impossible to create effective public opinion when events are secretly unrevealed. An international bureau for social scientific data; being a centre of reliable information, would *ipso facto* constitute a tremendous rampart against official secrecy. It would possess no executive powers, nor indeed would it need them; and it would therefore be unable to exert pressure on any nation or people. Its power would reside in an unfettered publicity and it would thus be an effective antidote to the poisonous 'Negative Lie' by which the public is stupefied and behind which anti-social policies are prepared.

The next requisite for social science is the correct assessment of human activities. In our present 'Inverted Order' of society these also are upside down. This is due to the reign of 'Myth,' the magic of words whereby "industry" implies factories and smoke chimneys.

It is incredible that the greatest and most important activities find no place in the present science of economics.

The purpose of human evolution rests upon two basic activities—the manufacture of human bodies and their care and maintenance and this conception must be the starting point of a true social science.

In our present finance-ridden and mind-confused society, the business of child bearing is merely an accidental circumstance

intruding upon the private lives of two individuals, which, far from being regarded as one of the most important of human activities, is generally thought of as a handicap, if not a positive disaster. This is so because under the present money system the making and the rearing of human beings have no value by way of collateral security. Even worse, this system perverts the sexual function, which, by an incessant and ubiquitous propaganda, is portrayed as an end in itself.

With this goes the degeneration of women, who are financially exploited both sexually and industrially. The building of a new order of society which will satisfy the needs and aspirations of men is impossible until the woman as lover, wife and mother occupies the pinnacle of the social edifice: though it should be remembered that to whom much is given, from the same shall much be required.

Human activities, therefore, begin with the creation of human bodies, and next in importance is their care and maintenance.

This involves, on the one hand, the proper training and development of the mind and spirit, i.e. education and religion. On the other hand, it involves the provision of the 'Basic Needs.' The primary activity here is the provision of food through agriculture in its widest sense, with which is intimately concerned the treatment of the soil.

It is extraordinary how 'usury' always relegates agriculture to a position of inferiority and ends by destroying the fertility of the soil and exterminating the yeoman. This can be seen perfectly in the ruin of the old Italian farming and the disappearance of the hardy class of men who laid the social foundations of ancient Rome.

The utilisation of the land to provide a physiologically optimum diet, without which health is impossible, is one of the most beneficial activities in which men could engage. The present terrible amount of malnutrition is a reproach to society, the more so since its removal presents no physical difficulty whatever.

Furthermore, the utilisation of the land is the very basis of the life of any nation. Instead of industry being the backbone of society, it should be agriculture; but this is impossible to any creditor nation under 'usury.'

The question of soil conservation is also a world problem. Little

known as it is to urbanised peoples, men are in fact facing a serious danger so far as the food future is concerned.

The facts are clear. The precious surface layer of living soil must be preserved against the ravages of wind and water; and what is taken off must be put back on it. In all countries in bondage to the bankers this is impossible, with the result that the land has suffered an irremediable denudation of materials essential to healthy plant, animal and human growth.

Efforts to replace the missing elements artificially have proved inadequate. Putting it bluntly, that hallmark of "civilisation," the water-closet, is one of the culprits! There are many things we shall have to learn from the East, and the treatment of the land is one of them.

The problem of soil erosion is a great issue facing the new order in Europe, because of the empiric methods devised by centuries of transformation from deciduous forest to agricultural conditions the ravages of erosion are minimal. In Russia, South Africa, China, U.S.A., Australia and New Zealand erosion has reached disastrous dimensions, because of the ecological unbalance due to the importation of European methods into areas unsuited to them, because of the intensive exploitation of the soil necessitated by 'usury.' Japan, it should be noted, is the one country where this problem has been successfully met.

Erosion is intimately connected with afforestation, which is also a grave international problem and will require to be tackled energetically. It is not a mere matter of timber production, bad as that is; but the forest is a vital link in the normal hydrologic cycle without which at least water erosion is inevitable.

This problem is another aspect of the false husbandry necessitated by the debt system. In a remarkable book, "The Rape of the Earth" by Jacks & Whyte (Faber), we are told that:—

. . . . as the result solely of human mismanagement, the soils upon which men have attempted to found new civilisations are disappearing, washed away by water and blown away by wind. To-day destruction of the earth's thin living cover is proceeding at a rate and a scale unparalleled in history, and when that thin cover—the soil—is gone, the fertile regions where it formerly lay will be uninhabitable deserts.

The authors of this authoritative world survey of erosion show beyond doubt how this issue is largely bound up with economics

and finance, though it is also partly the consequence of pseudo-science.

Our pernicious financial-economic system absolutely demands as a condition of its existence the destruction of soil capital, and in the end the destruction of human capital, since the wrong treatment of the land leads to a deterioration of food and is one of the basic causes of ill-health amongst the materially advanced peoples.

In that remarkable and, as I believe, epoch-making book "An Agricultural Testament" by Sir Albert Howard (Oxford University Press) we read:—

Farming has become unbalanced . . . the soils of the world are either being worn out and left in ruins or are being slowly poisoned. All over the world our capital is being squandered. The restoration and maintenance of soil fertility has become a universal problem. The slow poisoning of the life of the soil by artificial manures is one of the greatest calamities which has befallen agriculture and mankind.

The author is under no doubt as to the causes of the calamity. It is due to a false financial-economic system and a false science. Here are his opinions (p. 198):—

Agriculture is regarded as a commercial enterprise . . . But the purpose of agriculture is quite different from that of a factory! . . . Quality is more important than weight of produce . . . The financial system, after all, is but a secondary matter. Economics, therefore, in failing to insist on these elementary truths, has been guilty of a grave error of judgment. In allowing science to be used to wring the last ounce from the soil by new varieties of crops, cheaper and more stimulating manures, deeper and more thorough cultivating machines, hens which lay themselves to death, and cows which perish in an ocean of milk! . . . agricultural research has been misused to make the farmer, not a better producer of food, but a more expert bandit. He has been taught how to profiteer at the expense of posterity, how to transfer capital in the shape of soil fertility and the reserves of his livestock to his profit and loss account . . . All goes well as long as the soil can be made to yield a crop. But soil fertility does not last for ever; eventually the land is worn out; real farming dies.

He likewise points out that this evil sequence of events (primarily the outcome of a false economy) can be followed to its tragic conclusion in the history of the Roman Empire. On page 7 we read:—

During the period which elapsed between the union of Italy and the subjugation of Carthage, a gradual decay of the farmers set in, the cultivators one by one faced ruin, . . . the land of the Italian farmers became merged into the larger estates. The landlord capitalist became the centre of the subject. . . During this period the wholesale

commerce of Latium passed into the hands of the large landed proprietors who at the same time were the speculators and capitalists. The natural consequence was the destruction of the middle classes . . . . A capitalist system of which the apparent interests were fundamentally opposed to a sound agriculture remained supreme. The last half of the second century saw degradation and more and more decadence . . . . other countries were called upon to furnish essential foodstuffs; province after province was conquered to feed the growing proletariat with corn. These areas slowly yielded to the same decline which had taken place in Italy. Finally the wealthy classes abandoned the depopulated remnants of the mother country and built themselves a new capital at Constantinople . . . . In their new capital the Romans relied on the unexhausted fertility of Egypt as well as that of Asia Minor and the Balkan and Danubian provinces. Judged by ordinary standards of achievement the agricultural history of the Roman Empire ended in failure due to inability to realize the fundamental principle that the maintenance of soil fertility . . . . should never have been allowed to come in conflict with the operations of the capitalist . . . . a working compromise between agriculture and finance should therefore have been evolved. Failure to achieve this naturally ended in the failure of both.

The lack of a world policy in the domain of plant and animal ecology is firstly the product of the financial system. There is sufficient scientific knowledge available and the undoubted physical capacity to deal with the problem: but the bankers are obliged to exact speedy returns and the future weal of the community interests them not at all.

It is plain sense that the soil and the cultivable resources of the earth are matters of the highest importance which no society can afford to neglect.

An efficient world husbandry, however, is incompatible with the unqualified or absolute right to the use of land. The problems of land tenure and use have indeed for centuries provided ground for much social disharmony. These age-long difficulties were chiefly the result of 'usury,' because whenever the debt gets large enough the rights of tenure finally vest in the bankers or their nominee as against those who actually work the land.

The historical evidence for this is overwhelming from the early Greek and Roman days onwards. An understanding of the rôle of 'usury' shows what a tremendous part it has played in the sabotage of the land. It is 'usury' which sustains the present rent system and its inevitable accompaniment of taxation. This, of course, is not a plea for the common ownership of land, whatever that

means. It is a plea for a world-wide policy as to the conditions of use of the soil, without which the finest schemes of social reconstruction will be rendered nugatory.

Along with the conservation of the soil goes the necessity for the conservation of all natural resources. During war-time the belligerents awakened to the existence of waste. But why wait for war to realise this? The answer is that in the face of war men are confronted with realities and therefore things must be reckoned, in terms of their use rather than their financial cost. A 'Free Money' system would ensure economy in natural resources, just as that of debt money ensures waste.

In the correct assessment of value of human activities, then, we place first the production of human beings and thus follows the need for their care and maintenance, which is bound up with the provision of food.

There then come two other aspects of human activity which are essential for health and comprise equally important and world-wide industries, though also not so recognised because they have little or no financial value. One is the final preparation of food for consumption and the other is the removal of dirt. The preparation and choice of food (the menu, cooking, etc.) is a matter of great importance because it is vital both to health and the welfare of the home. At the moment this valuable activity is done badly, chiefly because of lack of money, but partly by reason of ignorance.

The removal of dirt is as necessary and as important as any other industry. It is necessary for both hygienic and aesthetic reasons. It is extraordinary that in millions of homes the world over much time and energy go to this activity, yet in our inverted society it has no place in economics.

Now it will be noted that all the activities so far described are largely if not exclusively done by women. This is one of the reasons why the rôle of women ought to be fully recognised. Its non-recognition and the consequent economic obscurity of women are because such work has little or no value as a basis for the creation of 'Negative Money.' It is also the reason why child-bearing and rearing, cooking, cleaning and the like are still unpaid and constitute from the economic standpoint a species of slave labour.

Next in order of importance to a healthy society comes what is commonly regarded as industry; but here also inversion is apparent. The debt system favours the piffling industries and relegates those that matter to inferior positions. The chief of the essential industries is the provision of free energy, thermal, electric or otherwise, but especially electric, which engineering is only in its infancy and whose progress has been inhibited for financial and commercial considerations.

Next in importance to free energy comes the utilisation of the earth's resources for the basic raw materials and especially mineral ores. Following this are the so-called heavy industries—metallurgical, shipbuilding, engineering, and so on, of which transport of men and materials is an essential factor. Here we come to the vast and important manufacture of textiles, the chemical and preservative industries and, lastly, the manufacture of non-essentials and luxuries.

There is, however, one essential activity which ties all together and on which, in a debt-free society, much expenditure of time and money would be necessitated—that is, scientific and industrial research.

These then would constitute the industrial activities in the 'natural order' of society. Industry, considered realistically, is a means whereby men supply their 'Basic Needs.' But an all-important need for the development of the aesthetic, mental and spiritual natures is that of leisure. Under 'debt money' men are compelled to work for work's sake. Under 'Free Money,' once they had acquired their 'Basic Needs,' the rest of the time would be leisure and there is no doubt but that if the brakes of debt were removed and men were able to work in the full certainty that they would not be exploited and that the higher the efficiency the more all would benefit, the working man-hours to produce all our needs would be surprisingly small.

There is one final consideration which is essential to social science. Just as the engineer must recognise the limitations and nature of his materials, so human material can only be used efficiently within its limitations.

It is in respect to the use of force or coercion that social science will require to take a stand. Our present system justifies and

indeed, to keep it going, necessitates, the use of coercion against the individual, which is always justified because of some ideal end.

This is not to say that the use of force is "wrong in principle." This is the dilemma which inevitably faces the nescient idealists (e.g. pacifists, Tolstoyans, and the like) and is a certain way of provoking trouble. The use of force against the person may clearly be necessary as a practical expedient under certain circumstances, which is the 'realistic' position.

It is likely that coercion is never justified when it is used to prevent the exercise of individual sovereignty; but on the contrary is justified to restrain or oppose infractions of that sovereignty by others.

It is not necessary, however, to lose ourselves in the deeps of ethics. The ultimate sanction to the use of force resides within the conscience of each individual, for whom there can never be rigid abstract principles. All we need to recognise for our purpose is that the use of force tends to beget the use of an opposing force, for which reason "all they that take the sword shall perish with the sword."

The basis of social science, therefore, lies in the provision of adequate data, and an inductive examination of the facts and forces, with a view to creating a scientific foundation for political action.

Politics in the 'Natural Order' of society is simply applied social science; but since social life is a unity it is impossible for political action to be taken in one place without also affecting the whole world.

An ultimate necessity, therefore, will be an international bureau for the scientific examination and correlation of policy everywhere. If, for example, such an organisation had existed in the nineteen-twenties an inductive enquiry into the Manchukuo "incident," the Abyssinian war, or the rise of the Nazis, would have unveiled the factors producing, or, one should correctly say, necessitating these events.

The blind use of violence against the "evil" of Japanese or Italian "aggression" or Nazi tyranny, which was the usual remedy suggested, is useless, since it leaves unrevealed and unaltered the terrible forces which beget such events.

Knowledge is certainly power. Men will never purge the world of violence and tyranny by the application of more violence,



because as long as the causal agencies operate, its extirpation at one place will mean its uprising in some other place. What is needed is the fullest possible knowledge of the causal nexus in any given situation, after which only can effective remedial action be instituted.

The kind of world-organisation envisaged would not of course be some super-national body possessed of executive power, but a central body of experts whose business it would be to discover the causal nexus of social events and to suggest a remedy *with the world situation in perspective*, i.e. all policy would be an integrated policy.

In other words, the ideal is not an omnipotent federation of States armed to enforce obedience by military sanctions, but an omniscient federation of social scientists equipped to secure acceptance of their findings by mutual consent.

This is not to be confused with planning from above towards arbitrary aims, which, if enforced, will destroy society.

Planning of some kind will be needed, certainly. A correct international financial mechanism is the basis, and under it neither men nor "nations" would be able to unbalance the economic structure. Planning would be necessary also for the supply of raw materials and for the balancing of trade; but this would never be such as to create friction of any kind, since its 'objective' would be one mutually and universally acceptable.

Social science would thus provide the basic data, elucidate the causal nexus of social events and indicate the nature of control possible.

The knowledge then available would require to be properly applied through legislation, which is the business of the political and administrative machinery.

## *Chapter Twenty-six*

### HUMAN ECOLOGY.

Human ecology is that practical aspect of social science which deals with the relationships between man and his environment, and which is vital for the control of events.

Legislative and administrative action at present certainly alters human environment; but since it is based on the nescientic approach it is incapable of giving effective control.

The basis of human ecology is a Baconian-inductive analysis of the forces and factors at work. The technique of human ecological control consists in an appropriate alteration either in the human organism or in the nature of the stimulus applied to it. The correct objective of such control is inherent in the nature of man and the function of 'Integral Society,' and can be ascertained also by an inductive examination.

Consider now the technique of control of human response to environment. It is a wide subject fraught with immense possibilities for the future, and we can only deal here with a few generalisations.

It is possible to change man's reactions to his circumstances in innumerable ways. Thus we can achieve it by an alteration in the physical body. Broadly speaking, only the fit and healthy can react effectively to stimulus. It is certain that there is a shocking lack of normal health in civilised communities. Genuine fitness, the sense of well-being accompanied by poise and vigour, are almost unknown. Such devitalised individuals as inhabit the vast urbanised areas of any industrial country cannot respond properly to circumstances. Deviations from the normal take the form of

apathy, lack of initiative, mental hebetude, irascibility or other undue irritability, craving for alkaloids and alcohol, sexual maladjustments and perversions and the like.

Here, then, is a splendid opportunity for physicians, psychologists and educationists to alter effectively human reactions to environment; and it would assuredly provide a wonderful field of social endeavour and progress.

Of vital importance in this respect, and probably most important of all, is the provision of correct diet and an understanding of the full effects of all ingested matter (alcohol, drugs, tobacco, etc.) on the human economy.

If a physiologically full and balanced diet is not provided, marked consequences ensue. In the first place, the physical body will become diseased. It is seldom realised, even by medical men, that of all the factors that make for health, that of diet is more important than all the others combined.

It is not possible to discuss this here, but the truth is patent to all who have acquainted themselves with the ample evidence. The amount of malnutrition is enormous. Indeed, it is the lot of the majority of mankind, and Sir John Orr's figures from "Health Food and Income" (published 1935) showed that in Britain, which is regarded as the "wealthiest" of countries, one half of the population was then under-nourished.\*

Now wrong diet not only produces disease, but the vitiated body fluids repercuss on the emotional and mental mechanisms and produce marked changes in temperament. This phenomenon well-attested both in man and the higher vertebrates, though the extent is seldom perceived. Moreover, following the Eastern teaching, there is reason to believe that the kind of diet exercises determining influence on the entire character of the individual.

Man's response could also be modified through suitable alterations in the aesthetic field, by appropriate cultivation; but it is in the alteration of the mental response (i.e. by education) that so much depends. To understand the nature and functions of the human mind is thus a most urgent task, since the response to environment is largely accomplished through it.

There is no doubt that as an immediate practical measure it

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\* Still 1/3 in 1944.

would be possible to advance rapidly if men were merely taught the more effective use of their minds. The unveiling of illusion is not difficult once a few simple examples have been apprehended; and an attack upon the 'myths' of Action, Money, History and State would go a long way towards undermining the edifice of tyranny by which we are enslaved.

Indeed, without the destruction of 'myth,' no progress towards the 'natural order' of society is possible. It is the failure to realise the rôle of illusion which has prevented the spread of realistic reform and which at the same time has fostered the growth of political ideologies and other such useless abstractions.

It is thus not enough to expose the facts alone. Thousands of books have been published giving the most damning facts relative to our present society; yet they might never have been written so far as effecting a remedy is concerned. But no demonstration, no facts, no force, will ever succeed in creating a new society until men have stripped their mental natures of illusion and have seen the naked truth for themselves.

'Myth' is therefore a vital point of attack if environment is to be responded to effectively; but an even greater power for the modification of human conduct lies in true religion.

The practice of religion is the only means whereby men can find direction and obtain the proper driving force. It is the dynamic and director of society, and those who are bereft of its guidance cannot understand the function of either individual or social life. This does not mean that all men must be truly religious for society to progress; but it means that at least their leaders must be.

It is clear that the truly religious (i.e. the holy or consecrated) man has a totally different response to circumstances because he has access to the 'supra-mental' realms. He is in greater touch with 'reality' than the most intellectual man. His personality has become subjugated to the rule of the "Self" and so his actions are not tainted by the needs and desires of his lower nature.

This consummation for most of us is as yet distant and difficult because of the prevailing lack of spirituality. Moreover it is a tragedy of the Christian religion that the all-important rôle of the body, emotions, and mind in the life of 'reality' has not been understood; which means failure to understand the nature and limitations of the human mechanisms.

Yet religious people have always kept the correct perspective by insisting on the primacy of 'apprehension' (i.e. of the 'supramental' levels of 'knowing') as the essential and pre-potent factor in the alteration of human conduct.

We shall discuss this in more detail later, but meantime point out that they have misconceived or at least mis-stated the matter by clamouring for a change in "human nature." But human nature cannot be changed. What is meant is a change in the mode of response which men make to the pressure of environment, which from the mechanistic viewpoint means a raising of the focus of consciousness, and is the rationale of spiritual rebirth, conversion or whatever it may be called.

If, therefore, it is desired to alter men's reactions to environment there is no better or more powerful agent than right religion, which unveils the highest 'reality'; but this is impossible through religion considered as a social mechanism under 'usury,' because it is then doctrinaire, credal, and wholly ineffective, and must in the end subserve the interests of money.

Now consider that other great aspect of human ecology—alteration in environment. A scientific approach shows that basic requirement is an understanding of the 'Philosophy of Mechanism.'

Consider the analogy of a machine. Suppose a manufacturer desired an apparatus to make bottles, but received instead one to make cartons. The latter might be a wonderful contrivance of splendid efficiency; but if the owner got cartons instead of bottles its efficiency and ingenuity would be out of place.

If he fell to criticising the working parts, instead of replacing it by an apparatus to make bottles, we should regard him as mad.

And so it is with social machinery. It matters not how ingenious or efficient it may be, all that matters is what it accomplishes. When we have ascertained this the way is clear. In other words, if the 'objective' is what we desire, the machinery is doing what we want. Its efficiency might be improved, but the first consideration is what the machinery does. If the 'objective' is not what we desire, we do not waste time criticising the parts. We discard the apparatus and design new social machinery calculated to attain the desired end.

This much, then, is certain. An environmental approach to

social problems means basically a scientific determination of the 'objectives' of the seven social mechanisms. *This is the heart of the matter and the failure to understand it is the measure of the failure of all remedies so far suggested for social amelioration.*

Let those 'objectives' be ascertained, and then men will know what they are doing; but if they are unascertained then they act in ignorance and the result is disaster. Once the 'objectives' have been determined, the next step is clear. We have to ascertain whether they are desirable (i.e. whether they subserve the true end of man) or otherwise. If the former, there remains nothing to be done save to increase efficiency, which is a measure of the ease, speed and accuracy with which the results are attained.

If, on the contrary, any 'objective' is not what is required, the correct procedure is to determine what is and to design a new mechanism to attain it.

It is true that the determination of 'objectives' is difficult because of the existence of 'non-efficient objectives' and by-products of activity; but science, which wrests power from nature, is always difficult.

Now the ascertaining of actual 'objectives' is a matter of scientific observation. It might be imagined that the determination of what constituted correct social 'objectives' would be, on the contrary, a matter of opinion; but this is not wholly the case.

Consider again the analogy of the optical scientist. His researches have as their immediate aim the elucidation of the laws relative to the nature and source of light and its passage through transparent media. The final aim is to make use of the results, and what men chiefly want is efficient illumination and devices to make small objects appear larger and distant objects nearer.

Now an optical scientist can create an apparatus to make distant objects look still more distant and straight lines to look curved; but no normal man would have any use for such devices. Yet this is exactly what myopic and astigmatic people want; and their concave and spherical lenses, which would distort objects for normal people, give them normal vision. In other words, the normal 'objectives' of optical science can only be determined by men with normal visual organs.

Similarly, the correct 'objectives' of society can only be determined by normal men since those who are mentally or spiritually

myopic or have, so to say, disease of their light-receiving organs, are abnormal and their desires likewise.

This is why so many men are unfit to determine social 'objectives.' They are truncated men, spiritually myopic or astigmatic, or, in the last resort, blind. They see things blurred and crooked until they look through their ideological glasses.

It is, in short, impossible to hold the social mechanisms in correct perspective until we know the real nature of men and of society; and when we do we perceive what is required. Here, in tabular form, is a comparison between the 'objectives' of the present 'inverted order' of society and what, in my view, they should be in the 'natural order.'

THE MECHANISM	IT'S PRESENT 'OBJECTIVE'	ITS CORRECT 'OBJECTIVE'
(1) FINANCE.	To create debt or 'Negative Money.'	To monetise the community's wealth to whatever amount and for whatever purpose is desirable and physically possibly.
(2) INDUSTRY.	To provide a basis for the monetisation of real wealth according to the technique of 'usury.'	To uphold by force the authority of government
(3) SANCTIONS	To implement by force the operations of the financial mechanism.	To administer policy as determined by the mechanism of politics.
(4) ADMINISTRATION	To provide with efficiency all the goods and services required.	To centralise power in the financial mechanism, using the law to implement its decrees.

(5) POLITICS.	To obscure the operations of the financial - industrial mechanisms by means of political abstractions and the 'myth of action'	To determine policy by free discussion between freely elected representatives having access to the necessary facts.
(6) EDUCATION.	To create and foster 'myth' and inculcate obedience to external authority.	To mediate 'reality' through mind, e m o t i o n s and body.
(7) RELIGION.	To create and foster 'myth' and inculcate obedience to external authority.	To mediate 'reality' at the Supra-Mental levels.

If and when the correct 'objectives' are agreed upon, it will then be possible to construct social mechanisms to attain them. All that then remains is to increase their efficiency; which is to be measured by their speed, accuracy and ease of operation, and is, in short, a measure of the automaticity of action.

It is worth noting that the most efficient\* social mechanism in existence is the financial. This vast world-wide apparatus, with its precision and power, is controlled by a handful of men because of the automatic nature and the ingenious interconnection of its parts.

Orthodox economics gives merely a description of the wheels, rods and levers of the financial machinery, together with its auxiliary plant, and is not concerned with 'objectives.' It is thus that orthodox economists, when suggesting remedies for defects, are usually ineffective and mutually contradictory. Their suggestions are concerned with alterations to the wheels, rods and levers; but the machinery is so large and complicated that the consequences of a few small alterations are incalculable, and they never consider the question of 'objectives' at all.

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\* Efficiency as regards the attaining of the 'objectives.'



In an efficient society, therefore, once the 'objectives' had been settled, the machinery would function automatically to those ends. Putting it in other words, no legislative interference would be necessary. Those who rely on the nescientic technique, having abstracted supposed "principles," always require specific legislation to enforce the application of each principle; whereas suitable design to correct 'objectives' would automatically ensure the desired results.

Suppose, as an example, that people are agreed that destitution cannot be permitted. Under our present debt system that would be adopted as a "principle." It would then be applied by a variety of State controlled mechanisms, each with its laws, rules and officials—by Labour Exchanges, Unemployment Assistance, by governmental and institutional medical services, and many others. But under 'Free Money,' destitution would disappear because the financial mechanism would not create a barrier between men and real wealth and because every man's work would automatically benefit every other man.

When we come to consider 'objectives' in the 'natural order' of society we see that the most important difference is in the financial machinery, which therefore deserves some attention.

This is not the place to put forward technical details, but it is easy to state the fundamentals. The monetary system, to serve the true ends of man and especially to provide the 'Basic Needs,' must be capable of monetising (i.e. of permitting the financial liquidation) of real wealth to whatever extent is desirable and physically possible. In other words, money should be equated to production.

The present debt system acts as a brake on all effort, and the most urgent environmental alteration is the destruction of this system. To permit the financial machinery to determine and control the entire apparatus of society is to reduce all efforts at social amelioration to a farce. In any society based on a money economy there is nothing material whose production and use are not limited by money; but under a usurious system of money creation the amount of goods available is not conditioned by the productive capacity of the community but by the necessities of the financial system.

If it is desired to free men from financial tyranny, then the conditions are clear. *The fundamental condition is a return to 'reality' in the financial-economic realm.* That is to say, we require

a completely new conception of money, its nature, its rôle and its creation.

It cannot be sufficiently emphasised that it is not enough to abolish 'usury,' to depart from a gold basis, to "nationalise" the banks, or to abolish debt. To think along these negative lines is to perpetuate the fatal mistake of centuries of misdirection. It is to think nescientically and to imagine that one or other, or, for that matter, all of these "principles," would cure the ills we hope to remedy.

To think correctly we must apply the 'realistic' method, which is resolutely simple. We must undo that first and fatal defection, when men departed from 'reality' by transferring their ideas of value from real things to money.

This concerns, therefore, the *nature* of the new money. It means essentially that this money has no value in itself, i.e. no intrinsic value. Therefore it could not be bought and sold. Neither could it be regarded as a "store of value," which is a purely "unrealistic" conception.

This leads to a consideration of the rôle of the new money, and to this end we cannot improve on Douglas' well-known analogy of the railway system. In such a system the initiative lies with the travelling and consuming public. To take the travelling side—no railway company would survive which did not continue to reflect the real needs of the public. If more people travel than there are trains, then the railway company will have every incentive to provide more trains. If its trains go empty along any specific route it will then withdraw them.

The title to travel is a ticket. This ticket has no value. What would the public say if large numbers of people could not travel, though trains were available in plenty, simply because the booking offices had not enough tickets?

A correct money system is nothing more than a specific ticket system run by a financial booking clerk. When this clerk tells us how many tickets we need and where we have to go, it is high time to dismiss him.

The correct rôle of money is therefore to reflect accurately the flow of goods. The point to emphasise here is the *neutral* flow of money. Real freedom will be for ever impossible to men so long as any kind of monetary mechanism vests arbitrary control or

initiative as to its amount, its destruction, or rate of flow, in the hands of any person or corporation, governmental, industrial or otherwise.

The vital need, as Douglas and his followers so persistently point out, is for a *dispersal* of initiative, as in the case of the rail company vis-a-vis the travelling public.

This leads to a consideration of the third factor—the *creation of* money. Whatever may be the technical method, a correct money system must not interpose any financial barrier between human need and the capacity to satisfy that need. Whatever goods and services men require and can produce, these the financial mechanism must render available by the creation of a sufficient flow of money. Again, to repeat the much used phrase---what is physically possible should be financially possible.

As a corollary to this, it is clear that a financial balance rail be struck between production and consumption. In other words in contradistinction to the present situation, the monetary system must be able to *finance consumption* as well as production.

The 'realistic' basis for such an ideal system resides always in the production end. First, real things, then their financial tickets. We must cease to think in terms of money or token value and come to think in terms of real wealth.

Having seen the nature, the rôle, and the method of creating 'realistic' money, let readers now be reminded of the negative aspects of such a system;—what it must avoid.

Whatever the technical nature of the new mechanism of finance it cannot use gold on any standard as a basis for money. This is necessary because this metal limits and artificially restricts production and consumption. Its abolition as a standard is necessary also because the gold produced (a) is naturally obtainable in reasonable amount by only two credit areas, and (b) under 'usury' it comes finally to be possessed almost entirely by one credit area, and (c) its use centralises financial power both by its very possession and by its functions as a basis of credit, as a "regulator" of international trade, and as a store of value.

Neither could a 'realistic' money system possibly be based on 'usury,' at least in its major forms. This, of course, is no condemnation of profits or the profit motive. We need not discuss this further as we have shown at length the results of 'usury' from

the pages of history and we have heard its condemnation by the greatest of men. We have witnessed the inevitable end of all communities which take to it; and it can be stated with confidence that any proposals by way of remedy which leave untouched this parasitic growth are condemned by the verdict of experience.

By 'usury' is amassed a debt which can never be wiped out except by the total collapse of the social-economic system. This self-cumulative debt, as we have seen, becomes the secret source of tyranny and corruption. It rots trade and commerce, corrodes the vitals of industry, corrupts the Administration, emasculates the judicature, pollutes politics, and perverts both religion and education. It puts man against man, and finally nation against nation, and is the prime instigator of war.

Yet a third negative aspect concerns debt, at least as we know it to-day. Realistically considered, there is no such thing as debt. Take, for example, the two World Wars, which have left the people of Britain with a "national debt" of nearly £30,000 million to date (1946). What folly, when we consider that in terms of real things—raw materials, work, blood, and sweat—both wars were paid for day by day as they proceeded. Debt is the result of a fictitious or illusory conception about money—its measure of value, and so on. In a 'real' world the cost of production is consumption. What, for example, these wars have cost is simply the food, houses, clothes, and energy required by the military and industrial operations, i.e. their current consumption.

There are certain corollaries which flow from these new views. An important one is to recognise the 'realistic' nature of employment or work. We have been so perverted by falsity that most people have long forgotten the true end of work, which is the production of real wealth. Employment is therefore not an end but a means. One of the absurdities of the present industrial treadmill is that no one can acquire purchasing power except by employment, directly or indirectly. And thus it comes about that the lunatics who now try to steer society are hoping to provide full employment for all! No doubt this would be a satisfactory solution if we could sell motor cars to the moon, battleships to Mars, lingerie to Venus, and asbestos underwear to Mercury.

But in a 'real' world full employment is impossible and in any case men don't want it. They get it all right in the penitentiary,

and they don't like it. What they want is full leisure, and the absolute minimum of employment. The correct standards are only to be found to-day in those South Sea islands which have no money. If the inhabitants thereof have enough food for a week—then they have a week's holiday. Under "full employment" the surplus is destroyed and so we clock in every morning as usual.

Let us put it in another way. What standard of living do men want? Do they desire an illimitable amount of gadgets, chromium plating and telephones all round, with motor cars for all? Then they will have to work harder. But even so, if the correct balance is to be maintained as between production and consumption, might it not become necessary simply to give money away to the consumers?

This, in fact, is one of Major Douglas' proposals. I admit it is very frightening, especially to the rich, who have always been given money for nothing. We shall no doubt need courage in the face of such heroic proposals, but at least we need not rashly dismiss them.

After all, the *whole* community shares in making the *whole* of real wealth. If, as Douglas insists, the whole of Great Britain should be regarded as Britain Limited, in which concern we are all partners—as we are—then a "national dividend" represents an equitable share of total production.

Here let me digress to deal with the socialists who are ideologically committed to the condemnation of profits and who have never yet deciphered the difference between 'usury' and profit. Let it be said clearly that a "national dividend" consists not in a usurious payment but in an equitable claim on a genuine profit. The community can then decide whether to accept this profit or reduce hours of work.

In the creation of a sane money system there is yet one other important matter which now calls for notice. I have so far deliberately avoided this issue because of its technical and controversial nature, and because the interested reader will find a full presentation in the works of Major Douglas, Marshall Hattersley, and others.

It concerns the structure of the present system. A little thought will make it clear that credit creation and the price system are inseparable. Once money is created, it has finally to become available to the consumer with the purpose of liquidating prices. Now if the price system does not reflect reality then the mere creation

of money without relation to the physical production of real wealth is useless.

Indeed, it is worse than useless because the creation of money under the Debt technique and the present price accountancy system in the long run force up prices until they bear no relation to the real costs whatever. To-day it is inevitable that all costs enter prices, and the folly of this device will be appreciated by a scrutiny of the house building costs and the net economic rental figures quoted in Appendix A. The house referred to cost £800 in 1900 and £3,000 in 1945. Moreover, the completely hopeless net rental in the latter year is arrived at by the necessity of passing on rates, taxes, and so forth, to the purchaser or tenant.

But does anyone suggest that the real cost of building the house was more in 1945 than 1900? What with mechanical devices and free energy the real cost in 1945 was much less.

In a rational monetary economy the real cost of anything is simply the goods consumed in its production. But so long as Accountancy Money is used to put all costs into prices, then no community can ever pay for the goods it produces. To put it in Marshall Hattersley's words (p. 206, "Wealth, Want, and War"):

If the money system were a scientifically accurate reflection of actual realities, the aggregate prices of the goods produced in any period would amount to the financial cost of the goods consumed in that period. But this would mean selling below the financial cost of the goods produced, which is just what Major Douglas suggests.

The price to the consumer would then be the "compensated price," and this revolutionary suggestion has not received at the hands of the economists the attention it demands.

But whatever the actual accountancy method to be devised, the price system must in one way or another be such as to link production to real cost; and this is clearly a vital part of a rational monetary system.

Now let me describe our ideal money system in a phrase already frequently used here. Without committing myself to Jeffrey Mark's technical proposals, let us follow him in calling it a "Free Money" system.

It is appropriately so called because, by the correct monetisation of real wealth it would enable men for the first time since money was invented to exploit their brains, their industry, and their

energies to the utmost, the only limits being the natural resources and the subsequent ability to create, to carry, and to consume. Under "Free Money" men would achieve, also for the first time the destruction of centralised power, *i.e.*, they would enjoy a genuine individual sovereignty. It would not mean the abolition of "planning"; but it would mean that *we would not plan for men until we had first planned for money.*

Under "Free Money" the debt structure would disappear, and with it would go the tax collector and government tyranny likewise. It would consequently eliminate the need for nearly all the 'Social Services' and most of the 'Public Services,' render delegated legislation redundant, enthrone the sovereignty of a genuine parliament, reduce armed forces to a minimum, and restore education and religion to their true functions.

The use of "Free Money" would then, and only then, make it possible to change human environment by the suitable alteration of the other social mechanisms. We need not now go into these in detail; but their correct 'objectives' as outlined would be achieved and with them a society fulfilling the goal of human endeavour.

It is to be noted, however, that all our ills will not be remedied by a mere change in the financial system. This is an error often committed by monetary reformers. While "Free Money" will solve most of our immediate problems, it would create a host of others which would engage the best of men for long centuries.

And, lastly, I shall have to disappoint some of my readers because I have not attempted to deal with the technical structure of 'Free Money.' I shall not, for two reasons. Firstly, I have not the necessary technical knowledge, and the majority of my readers may be even less well equipped. Secondly, I do not think that it is the business of the general public to deal with such matters at all.

I agree with Douglas that if so-called democracy is ever to function it can never function so long as the electorate is fooled into giving answers to matters of 'technique,' as opposed to matters of 'policy.'

I personally am not taking the trouble to write this book in order to attempt the impossible task of (a) presenting a technical monetary plan and (b) expecting general readers to endorse it. I am writing it in an effort to mobilise an enlightened public opinion to secure certain results.

Regarding 'Free Money,' it would be possible to produce quite a number of efficient systems. Readers who are interested in the technique will find one described in the writings of Douglas on Social Credit and another in Mark's "Modern Idolatry." It is not possible to discuss them here and I am convinced that wherever any doubt or discrepancy appears, its resolution will never be a matter of opinion but only of correct data.

The chief difficulty in the way of new monetary schemes is that at least some of the data for a full Baconian-inductive analysis are still secret; but the facts could in the long run be obtained.

All we non-technical people need to know is that there are financial experts available who would be quite able, given the necessary data and a defined 'objective,' to create suitable machinery towards it.

The experts are unable to do this meantime for a variety of reasons. The chief is that such a consummation would mean the breaking away of one central bank from the international hierarchy. It would also mean a social upheaval of vast dimensions (for birth means travail) and quite clearly such tremendous changes could only be inaugurated by reason of equally tremendous social pressure. Furthermore the financial experts are without exception very rich, powerful, and highly placed individuals. As such they may be "good" men or "bad" men; but human action depends not on abstract goodness or badness but on the pressure of events.

Financial experts may deplore the system and feel infinite sorrow for the abstraction called mankind; but they are well-fed and have their 'Basic Needs' indefinitely secured, which is not a situation calculated to stimulate them to action. Matters are worsened by the device of committee rule (*e.g.*, the Board of Governors) by which actions are anonymous and responsibility evaded by a complicated mechanism whose effects are unseen. All that is required to jolt the expert into action is that appropriate stimulus under which less fortunate mortals are accustomed to work—no income, if no results; and individual responsibility for results.

Now to summarise this and the previous chapter on social science. Its basis is 'Integral Man,' for whom all organisations exist. The 'objective' or end of man is to attain to the highest 'reality.' This he attains most rapidly by the exercise of individual



sovereignty and by mutual co-operation within society, whose 'objective' is to assist him towards his goal.

The function of Integral Society is (1) to provide 'Basic Security,' *i.e.*, the 'Basic Needs' under the aegis of individual sovereignty, (2) to enlarge the amplitude of individual sovereignty and (3) to provide a field for the exercise of the higher human faculties.

Society serves these three functions through the seven social mechanisms. In the 'Natural Order' the religious mechanism comes first, and the rôle of the financial is to monetise real wealth.

The rôle of the mechanism of politics is to determine policy and of the Administration to carry that out, all according to the findings of social science, with individual responsibility for action.

Since man is a biological mechanism requiring ecological adjustment, the course of events can therefore only be altered successfully by an appropriate change in stimulus or in the organism itself.

The latter is primarily the function of religion and education as mediators of 'reality.' The former, since our society is complex and men's chief relationships are no longer personal and direct, implies an appropriate alteration in our social mechanisms. Alteration of these, in turn, denotes simply an alteration in our 'objectives' which those mechanisms subserve; but this cannot be accomplished so long as men's minds are confused by 'Myth.'

These, in brief, are the proposals advanced as a basic remedy for social disorder; but they do not constitute another ideology nor are they another addition to political opinion.

The proposals are founded on the scientific method, which is the only possible method of dealing with events. The validity of the present conclusions depends therefore solely on the accuracy with which the facts have been observed and on the degree to which they have been correlated.

In the table given (p. 418), lies the substance of human ecology as applied to social and political science. It is for others to follow out the same process, to verify, reject, or amend by the same technique; and when at last a solid structure of 'knowledge' has been created, the wranglings of the abstractionists will die from inanition and men will then be united to get on with the task of creating an effective civilisation.

## *Chapter Twenty-seven*

### THE PANACEAS OF "LEFT" AND "RIGHT."

Such proposals as already exist for the amelioration of social evils are of the nature of panaceas:—cure-alls which are put forward as in themselves sufficient. They are of three varieties—the political ideology, the economic plan and the religious plan.

Political panaceas are supposed to be of three varieties, namely, "left," "centre" and "right"; but as extremes meet, we shall see that this division is mythical. The "left" views are described as Socialistic. It is impossible to define them too closely but their general nature is not in doubt.

It will meantime suffice to regard Socialism as a "political or economic theory for the regeneration of society by the substitution of collective for individual ownership of capital and property." It is also taken as "a scheme of common ownership of the means of production, distribution and exchange, with the elimination of competition and the substitution of association." In its simplest form the ownership of the means of production is vested in the State, but there are other theories, some of which tend towards a repudiation of the State after the manner of Anarchism. In truth, the conflicting views and theories, and the embittered conflicts which regularly split the Socialist movement constitute a complete indictment of the system. It is fortunate, however, that all varieties of socialists (from Communists to Anarchists, whose mutual hatreds are the worst of all) are agreed upon one thing—that the source of the troubles they hope to correct lies in capitalism—or capitalist

society. Leftist ideologies, then, whatever their schemes or theories are completely united in their opposition to capitalism. But what is this thing capitalism?

According to the Penguin Political Dictionary this is:—

. . . . an economic system under which (a) the means of production (b) the apparatus of distribution, in short the whole economic machine are in the possession of private owners who run them at their discretion, driven by the urge for profit, and in accordance with the possibilities of making profits at any given time. Capitalism is marked by the existence of a proletariat which depends on the sale of its labour power, and production for the market without planning.

The article goes on to State that socialists oppose this system and aim at nationalising the economic apparatus and running it on definite plans under central management, the driving principle being not private profit but public welfare.

The recurring "crises" of capitalism are stated to be due to lack of co-ordination among the various elements:—

. . . . according to Socialist theories there is an inward tendency in Capitalism leading to even bigger concentrations of capital in a few places until a limited number of trusts, combines and banks virtually control the nation's economic life.

This is called modern monopolist capitalism, but we are told that though these combinations foreshadow something like Socialist economic administration: —

. . . . their driving motive is, however, not of a Socialist nature: they profit for their shareholders and leading bureaucracy in the same way as the smaller capitalists were doing before.

Hence, in short, capitalism is equivalent to private ownership for private profit.

The supposed nature of capitalism is arrived at by a scrutiny of the social machinery, from which by a process of mental abstraction there are deduced certain "principles," which are believed to determine the workings of that machinery. Let us examine the definition quoted. Firstly, we note that capitalism is an economic system, *i.e.*, it is not a financial, or political, or any other kind of system, and hence it is only concerned with one aspect of human activity. Under this system then, the means of production and apparatus of distribution, in short, the whole economic machinery are in the possession of private owners who run them at their discretion, driven by the urge for profit. Now when capital was first conceived, it was probably true that there were then

individual owners running the means of production and distribution at their discretion.

Let us now consider the nature of ownership. This means "the right of possession," in which are vested certain prerogatives. It is when we enquire into the latter that the difficulties appear. The fact is that the right of possession is neither absolute nor definable. Consider, for instance, the typewriter with which I write this. It is my own, bought and paid for with money earned by working. It would be legally permissible for me to do what I liked with it, though it would not be morally permissible. Ownership of this nature is very nearly absolute. But suppose I own a dog or a child, the matter is different. The rights of possession now become duties and the relationship is one of stewardship. All ownership is really stewardship, but humanity is a long way from understanding this.

Consider now the ownership of a typewriter, not by a private person, but by a business-man; and immediately other factors are introduced. The owner of the business cannot himself type so he employs someone to do this for him. This gives his employee purchasing power to live, and so the owner of the typewriter now controls an instrument of production and thereby comes into relation with the rest of society, so that he cannot treat either the machine or its operator at his private discretion. Complicated as is this new relation, it is much more so when the owner possesses a whole series of instruments of production such, for example, as would constitute a factory. In this case the amplitude of relationship between the owner and society has increased enormously. What now are the prerogatives of possession? But if this instance is complicated, what are we to think of the situation wherein a manufacturing company (whose capital is subscribed by hundreds of shareholders and which is itself part of a large number of other companies in a combine) is run in theory by a managing director who leaves the work in charge of a manager? Who then is owner, and what are his prerogatives? The truth is that the expression used in the definition "means of production . . . in the possession of private owners" has no clear meaning at all.

Ownership, in fact, is of various kinds from the economic point of view. Major C. H. Douglas puts it thus ("Warning Democracy," p. 8):—

The real fact is that the word 'ownership' is quite meaningless when it is applied to the relations between any undertaking and a large number of what the law calls 'tenants-in-common.' It is quite impossible for a hundred people to own a piece of land, although there is a legal fiction to the effect that they can. Either they have to let it, and divide the rents, or each one of them can walk about in it, in which case there is no rent and nothing to divide. Even a Public Park is subject to regulation which the individuals using it are generally powerless to alter as individuals.

In the early capitalist days when individual men were genuine owners, and when directors directed on the premises, there was not only ownership, but there was a class of men who, with some show of reason, could be termed capitalists in the sense that they, as individuals, provided though they did not create the capital to set up business. In the very earliest days, when factories were small affairs employing so few men that most of them could be and often were housed by the owner, the capital to start such ventures was often genuine saved money on the part of an individual owner. But whenever larger enterprises came along, there is no doubt that the capital was not all provided by the administrative owner in person.

This separation meant that in so far as capital was supplied by another, to that extent the beneficial ownership was the profit of that other. The individual who received the capital, utilising it to run his business, was therefore in administrative ownership. Later on there arose another degree of separation when those in administrative ownership, often knowing little about the technical side of the business, delegated this to skilled technicians.

Here, in effect, is the nature of the joint stock company, which received its present form in England by the Companies Act 1862, but whose full effect was not to become apparent until the end of the century. By the limitation of financial liability it became practicable for enterprises to be financed by large numbers of people who did not actively participate in the running of the company in which their money was invested. The original formulators of the doctrines of socialism undoubtedly based their theories on a conception of a class of individuals who provided their own capital and were in administrative and beneficial ownership of businesses. This, in fact, is still the popular 'myth' conception of

a capitalist, who is conceived of as a private owner with the urge or having the "principle" of working for private profit.

The position to-day has no resemblance whatever to this fiction. The financial facts are well summed up in "The Modern Idolatry," where the reader will find in the chapter on "The Debt Structure" an illuminating analysis of the technical aspect, (p. 120.): —

In their book 'The Modern Corporation and Private Property' (New York, Macmillan, 1933), Messrs. A. A. Berle and Gardiner C. Means went to great pains to show that a few giant corporations, controlled through interlocking directorates by a comparatively few men, had been growing at a much faster rate than any other form of business enterprise in the United States. Already they completely dominate American business, and, if the present rate of growth continues, in forty years they will completely absorb it. . . . The most significant fact about Messrs. Berle & Means' book is the fact that a large proportion of the capital in these giant corporations is owned by an army of small investors similar to those referred to in Great Britain by Sir George Paish. The gross capitalization is consequently so enormous that in only a very few cases do wealthy shareholders own majority holdings, while the holdings of the (no doubt highly paid) directorates, are proportionately negligible. In America, at least, private ownership of capital and the exercise of traditional property rights against the direct interests of the masses, is passing, if it has not already passed. The giant corporations represent the socialized use of capital deriving from the wealthy, the middle classes and wage earners alike, in which skilled technical directorates work in the direct interests of millions of shareholders. In Great Britain the tendency is substantially the same.

The present situation, therefore, far from being capitalistic in the old sense, shows the almost complete socialization of capital, which means diffusion of ownership.

If, now, we analyse the definition of capitalism already given, we see how far from the truth this is. It assumes that the means of production are in the possession of private owners. This, as we have just shown, is illusion. The definition proceeds "in the possession of private owners who run them (the means of production and distribution) at their discretion, driven by the urge for profit."

Now although industry may not be in the hands of private owners it is in the hands of administrative owners. Let us see just how much discretion lies with them. As regards their employees, the answer is, almost none. If ownership means anything, it means the power to engage and dismiss servants at discretion, the power to fix rates of pay and conditions of work, and the power to require such paid servants to work on whatever tasks they are

ordered. On the contrary, the power to engage and dismiss servants has for long been limited chiefly by the activities of Trade Unions, and it is now almost completely outwith the control of private persons, being vested in the hands of government officials. The power to fix rates of pay and conditions of work has also been largely taken out of the employer's hands by virtue of legislation and Trade Union action. The power to assign work is strictly limited by Trades Unionism. So when we consider the discretionary powers of the "owner" as regards his employees, we find that he has practically none.

Turn now to the discretionary powers of the "owner" at the other end of the scale. According to the definition the capitalist is apparently seized with an "urge for profit." This remarkable piece of tendentious description suggests either that the owner is acting thus on "principle" (according to the 'Myth of Action') or that he has some peculiar kind of tendency unknown in lesser men, some mysterious and self-generated interior urge to get profit out of his enterprise.

It will be noted that it is further implied, though never stated or discussed, that getting profit\* is wrong. But to all except dreamers the urge for profit is not something which the owner elects to do. It is something which he is absolutely forced to do, and over which he has no discretion whatever. The necessity of getting profit is one imposed upon all owners—whether beneficial or administrative—by the inherent nature of the financial mechanism. This, as we have shown, resides in the need of this mechanism for the 'Final Profit,' which in the last resort, and putting it into its simplest terms, is the interest charge on the bankers' debt.

The definition proceeds: "According to Socialist theories there is an inward tendency in capitalism leading to even bigger concentrations of capital in a few places . . . until a limited number of trusts, combines and banks virtually control the nation's economic life." This, we are told, is called modern monopolist capitalism whose groups and combines have a "driving motive . . . not of socialist nature," since they seek profit . . . "in the same way as the smaller capitalists were doing before."

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\* I am here accepting the socialists' use of the word, i.e., neglecting for the moment the distinction between usurious interest and profit proper.

The implications in this statement are significant. Note that while the combines of modern monopolist Capitalism are not directly personified as Capitalists, this is indirectly to be inferred from the last clause.

The writer therefore still personifies these combinations and trusts as capitalists who, like their smaller forebears, also seek profit. Again note the implication that "they" (that is, the impersonal combines with their millions of shareholders) seek profit as if of their own discretion, and not that they are forced by financial pressure to get profit. Then we have the phrase "driving motive" implying again that these combines are actuated by a "principle," whereas in fact they are again acting chiefly by reason of external pressure. The statement is made "according to Socialist theories," which is a frank admission of abstractionism, i.e., we are told what the situation is, not according to scientific fact, but according to certain economic theories. One of the most brilliant of these must certainly be the supposition that capitalism has "an inward tendency . . . leading to concentrations of capital in a few places." This is the kind of reasoning which vitiates most socialist analyses. The Baconian cannot accept "inward tendencies" in phenomena as having any such self-existence without most searching enquiry.

The truth is that the whole conception of capitalism, with its theories, suppositions, urges, inward tendencies, with its personification of mythical owners possessed of mythical powers of discretion, and all the other ideological clap-trap, constitutes a deceptive illusion. It is only when we have unveiled the true nature of the banking-system and understood the causal nexus, that we are aware of the degree of error inherent in such theories. The fact is that there is only one real Capitalist—only one source for the provision of capital—and that is the banker. All other capitalists, whether the small shareholder or the large monopolist, or whatever the nature of the ownership, are the secondary sources of supply. It is true that they have certain powers over industry, but in the last resort these secondary capitalists must operate within the canon of finance. It is this necessity which finally forces upon owners the need for profit, and not any discretionary or interior urge to do so.

It is this necessity also, and not any inward tendency, which forces all alike into ever larger combines and monopolies, and is in effect a prudent measure of self defence against the assaults of 'usury.'



An investigation of the theory of capitalism shows that it is classed with the 'myths' and is devoid of 'reality.'

Now the theory of socialism takes its origin in the theory of capitalism. The two are obverse and reverse of the ideological medal, and are inseparable. All these theories sprang from the desire and urgent need of millions of ordinary people to get a suitable standard of life. In other words they were part of the efforts to get 'Basic Security'; but the question was nescientic as approached. From this, then, sprang the theory of capitalism according to which the poverty of the masses was due to appropriation of profits by a rich and grasping minority. This argument may have plausibility, but it has only a partial relation to the truth.

If we consider the question of financial profits, and, taking the entire profits in Great Britain, divide these by the number of inhabitants, we arrive at the astonishing fact that if this were done and the proceeds shared, the tiny amount of extra money acquired by each would hardly raise the individual incomes at all\*. And if we set off the financial losses of industries against their profits, the result would be even worse. The matter is not understood until we divest our minds of 'myth' and deal with 'reality.' Profits in the popular sense have no meaning apart from their power to purchase things. For some reason or other it has come to be accepted that such profits are ethically wrong. But when we think in terms of 'reality,' what we mean is that all people work to procure the 'Basic Needs' plus whatever other extras they can reasonably get. A very few people, by having access to credit, are able under the present financial system to have their 'Basic Needs' plus a prodigious superfluity of the extras. The vast majority do not even secure their 'Basic Needs.' In other words, the total production of goods at the normal peace-time level, even if all goods were equally shared, is quite insufficient to maintain a decent standard of living.

When the problem is stated thus, we see that there is no need to invoke theories or ideologies to explain it away. What is wanted

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\* An accurate figure is not possible. An estimate in 1937 showed that each family of four would have £270 per annum, though this is probably an overestimate. Even so, this figure would not do much more than merely provide an optimum diet.

is not only an increase in the production of goods, but an equivalent increase in money especially in the hands of the consuming public, so that the goods will be available to it. The increase of production is not only possible but so easy that it has required legislation to diminish it. The increase of money is not only possible, but so easy that it too has required legislation to diminish it, and this we have in the Bank Charter and the other banking Acts.

But suppose that we overlook the errors in the capitalist theory and consider the counter proposals of socialism as a practical measure. We now meet with an insuperable difficulty—namely— what are these proposals? If we consider again the analogy of the optical scientist we see that his practical measures are based on data inductively acquired, and not on theories; and therefore they do not admit of argument. But suppose the optical scientist had begun by the Hellenic-deductive process, then he would have a theory or general statement to be worked downward. He might, for example, have a theory either proceeding from the mind or actually based on superficial observation, that short sight was due to big noses and long sight to large ears. This sounds fantastic but it is no more so than certain famous historical theories; and it is worth remembering that Greek physicians at one time held the view that the brain was a kind of sponge to keep the heart cool and that the arteries carried air from the lungs round the body. One hesitates to think of the possibilities in medical practice if such theories were tried out! The Hellenic-deductive optical scientist would of course attempt to remedy short sight by cutting off the appropriate length of nose, the long sight by lopping the ears. The chances of practical results by this method would be negligible, yet such is the technique of political ideologies.

When we enquire then as to what the socialist proposes, we find that there are as many proposals as there are socialists; and there is no possibility of agreement between them, because the views held are imperfectly derived from the facts. The analysis of society and the proposed remedies are moreover not valid because they are concerned with economic man and not 'Integral Man.' They are nescientic and therefore unworkable, and in this lies their defect as practical remedies.

It will be observed that neither the capitalist nor socialist theories are concerned with the bankers' credit creation. It is true that

socialist proposals have always envisaged nationalisation of the banks but this is no solution whatever. The most complete nationalisation of the banks has existed in Russia ever since the 1918 Revolution and there the same basic evils also exist. Nationalisation is another 'myth.' The nation cannot in any real sense own the means of production. If there are 45 million tenants-in-common, the term "public ownership" is misleading. It is true that if the present shareholders were dispossessed in favour of a civil service committee (for that is what it means), the people would then be beneficial but not administrative owners. Therefore, if the banks were nationalised, the "people" would certainly receive any profits which accrued; but the banks' operations, being highly technical, would have to be left in the hands of professional administrators, over whom the public might have no control whatever.

The all important matter is not who *owns* the banks but who controls the policy of the banks' administrators. If the ownership's were public, but the bankers in charge of policy continued to create on the present usurious basis, the change of ownership would in fact make matters worse for the public and much easier for the bankers. Yet the socialists have completely failed to grasp this distinction. In other words, socialism is a system of remedying social defects by an alteration in the 'Second' and 'Third Parts' of banking, and it has never in any form addressed itself to the question either of 'Usury' or of credit creation.

In this charge lies the gravamen of the criticism against all 'left'-wing policies. Suppose we had a complete socialist state in Britain but permitted credit creation on the present basis, the situation would remain fundamentally unchanged. Socialists are never tired of dilating on the shortcomings of the capitalist producers, but the fact is that these are already highly efficient, and all that prevents them from even greater efficiency is the general shortage of money and the spurious competition thereby generated. The present industrial organisation, if left to private enterprise, would be capable of producing all the goods we require, so long as the banking system was able to produce the equivalent money to liquidate them; but this it can never do under the existing technique of debt. Good socialists are all financially orthodox and know nothing of the financial mechanism in its aspects as creator of money.

It would be wasted time to deal with the endless variety of technical proposals sheltering under the ample anti-capitalist banner' of the "left," but owing to the present popularity of Communism, this certainly deserves some consideration. This extreme form of socialism is far from indefinite either in theories or remedies. According to Communism the world is divided into two classes, the proletariat and the bourgeoisie. These classes eternally fight each other and Communism, which backs the proletariat, hopes and intends, by the use of violence, to extinguish the bourgeoisie and so inaugurate the classless society. One of its basic tenets, indeed *the* basic one, is the abolition of private property. The propagators of this doctrine were and are anti-religious, and generally militant atheists. It is not worth while to go into details, but the reader is recommended to study the 1848 Manifesto of the Communist Party by Karl Marx and F. Engels, which can be obtained in the English translation authorised by the Marx-Engels-Lenin Institute of Moscow, and published by Lawrence & Wishart, London. A brief study of this document shows at once its hopeless abstractionism. In the first chapter of the manifesto we are told:—

The bourgeoisie . . . has put an end to all feudal, patriarchal, idyllic relations . . . It has drowned the most heavenly ecstasies of religious fervour in the icy waters of egotistical calculation. It has set up . . . Free Trade. The bourgeoisie has stripped of its halo every occupation. The bourgeoisie cannot exist without constantly revolutionising the instruments of production . . . The need for a constantly expanding market for its products chases the bourgeoisie over the whole surface of the globe. It compels all nations to adopt the bourgeois mode of production . . . The bourgeoisie has subjected the country to the rule of the town. The bourgeoisie . . . has agglomerated population, centralised means of production and has concentrated property in a few hands. The necessary consequence of this was political centralisation . . . independent provinces lumped into one nation, one government, one code of laws, one national class interest, one frontier and one customs tariff. Modern bourgeois society . . . that has conjured up such gigantic means of production and exchange, is like the sorcerer who is no longer able to control the powers of the nether world he has called up by his spells . . . The conditions of bourgeois society are too narrow to comprise the wealth created by them. And how does the bourgeoisie get over these crises? On the one hand by enforced destruction of a mass of productive forces; on the other, by the conquest of new markets, and by the more thorough exploitation of the old ones.

If the reader will now reread this, substituting for "bourgeois" and "bourgeoisie" the words "financial mechanism" he will have a quite correct picture. But Communism regards this abstraction of the bourgeoisie, this 'myth' class of men, as a body which acts in all respects like a person, planning and executing, feeling, suffering, and above all, fighting. The full economic doctrine of Communism, however, is to be found in Karl Marx's "Capital" which was not published until 1867, though even then it was incomplete. This ponderous and arid work is surely a monument to the mythopoeic faculty and it is doubtful if even 1 per cent. of Communists have read it, nor is it in fact acceptable to the majority of socialists. For our purpose we can dismiss it in a few sentences. In the 1928 translation (published by Allen & Unwin) on p. 70 we read: "In the present work, for the sake of simplicity, I assume throughout that gold functions as the money commodity," and farther on it is categorically stated that "gold and silver is money." On p. 131 we are told "The circulation of commodities is the starting point of capital," and on p. 153 "The transformation of money into capital is to be explained on the basis of the laws immanent in the exchange of commodities." To Marx, therefore, money meant gold and the circulation of commodities was the starting point of capital; whereas money is not gold and the starting point of capital is the 'First Part' of the banking system. Thus we see that the economic theories of Communism are based on errors. Marx as has been said, knew nothing of the creation of credit by the central banking debt technique and he appears to have been ignorant of the rôle and nature of 'usury.' His system therefore is in no sense a scientific one, but is merely a theory concerning the final 'Second' and 'Third Parts' of banking. 'Primary Capital' is made and can only be made by the financial mechanism, but the capital of Marx is 'secondary capital' as purveyed through the private possessors of money, the amount of the latter being absolutely limited by the amount of the former.

We get a clue to the attitude of the Communists when we turn to p. 25 of the Manifesto:—

The bourgeois clap-trap about the family and education, about the hallowed correlation of parent and child, becomes all the more disgusting, the more, by the action of modern industry, all family ties among the proletarians are torn asunder, and their children transformed into simple

articles of commerce and instruments of labour. But you Communists would introduce community of women, screams the whole bourgeoisie in chorus. The bourgeoisie sees in his wife a mere instrument of production. He hears that the instruments of production are to be exploited in common, and naturally, can come to no other conclusion than the whole lot of being common to all will likewise fall to women . . . The Communists have no need to introduce community of women; it has existed almost from time immemorial. Our bourgeois, not content with having the wives and daughters of their proletarians at their disposal, not to speak of common prostitutes, take the greatest pleasure in seducing each other's wives. Bourgeois marriage is in reality a system of wives in common and thus, at the most, what the Communists might possibly be reproached with is that they desire to introduce, in substitution for a hypocritically concealed, an openly legalised community of women. For the rest, it is self-evident that the abolition of the present system of production must bring with it the abolition of the community of women springing from that system, i.e. of prostitution both public and private.

Having submitted this remarkable specimen of reasoning we are told (p. 26) that "The charges against Communism made from a religious, philosophical, and, generally from an ideological standpoint, are not deserving of serious examination!"

There is yet another reason why Communism deserves special attention. One need not be an unqualified admirer of Mr. Winston Churchill to admit that he is a master of the written word and, within his ambit, a political realist. In his "Great Contemporaries" (Chapter on Trotsky, p. 199) he writes thus:—

But Communism is not only a creed. It is a plan of campaign. A Communist is not only the holder of certain opinions; he is the pledged adept of a well-thought-out means of enforcing them. The anatomy of discontent and revolution has been studied in every phase and aspect, and a veritable drill book prepared in a scientific spirit for subverting all existing institutions. The method of enforcement is as much a part of the Communist faith as the doctrine itself. At first the time-honoured principles of Liberalism and Democracy are invoked to shelter the infant organism. Free speech, the right of public meeting, every form of lawful political agitation and constitutional right are paraded and asserted. Alliance is sought with every popular movement towards the left.

The creation of a mild Liberal or Socialist regime in some period of convulsion is the first milestone. But no sooner has this been created than it is to be overthrown. Woes and scarcity resulting from confusion must be exploited. Collisions, if possible attended with bloodshed, are to be arranged between the agents of the New Government and the working people. Martyrs are to be manufactured. An apologetic attitude in the rulers should be turned to profit. Pacific propaganda

may be made the mask of hatreds never before manifested among men. No faith need be, indeed may be, kept with non-Communists. Every act of good will, of tolerance, of conciliation, of mercy, of magnanimity on the parts of Governments or Statesmen is to be utilised for their ruin. Then when the time is ripe and the moment opportune, every form of lethal violence from mob revolt to private assassination must be used without stint or compunction. The citadel will be stormed under the banners of Liberty and Democracy; and once the apparatus of power is in the hands of the Brotherhood, all opposition, all contrary opinions must be extinguished by death. Democracy is but a tool to be used and afterwards broken, liberty but a sentimental folly unworthy of the logician. The absolute rule of a self-chosen priesthood, according to the dogmas it has learnt by rote, is to be imposed upon mankind without mitigation progressively forever. All this, set out in prosy textbooks, written also in blood in the history of several powerful nations, is the Communist's faith and purpose. To be forewarned should be to be forearmed.

Mr. Churchill, it should be observed, wrote this remarkable statement in 1930, and perfect examples of this technique can now (1946) be seen in all the countries that fringe the U.S.S.R. Indeed it is being utilised in every country which has an organised Communist Party; and consternating evidence as to the subversive methods employed will be found in the (1946) Canadian Government's Report of the Royal Commission of inquiry into the Communist espionage system which was uncovered in that country in 1945. With unfailing regularity the same subversive devices are applied and thus we see the Baltic States, Poland, Russia, occupied Germany, Czechoslovakia, Roumania, Hungary, Iran, and Mongolia, in the chill grip of Communism; and the assault is being stepped up in the Mediterranean countries, the Middle East, India, China, and elsewhere.

It is high time to recognise what Communism is, and for what individual Communists stand. They stand avowedly and openly for a policy of deceit and violence whose end is the total destruction of human liberty. And the fearful danger of Communism lies in this, that though worthless as a practical creed, its ideological frame work fits with alarming precision into that absolute centralisation of power which is the inevitable end of the present financial polity.

Furthermore, its supporters combine a fanatical ardour and idealism with an invincible ignorance of the nature of man and of money; and they are not to be deterred by the most elementary considerations of humanity, by the most urgent pleas of morality

or religion, or by the most egregious failures. An attempt was made to put Communist tenets into practice in Russia. The attempt was a bloody and disastrous failure and has been frankly abandoned. We have only to read the account of Anton Ciliga ("The Russian Enigma ") to see the unworkable nature of political theories. Unless Stalin had stepped in and with ruthless realism swept away the endless theoreticians of "left," "middle," "centre" and what not, the Russia of to-day would never have existed. Political ideologies are divorced from human experience and are unworkable. Their popularity is due to the existence of the mythopoeic faculty, whereby men are deluded by reasoning about illusions, and are bound to end in unreality.

All left wing theories are based in any event on conceptions of man, of his 'objective' and of the function and nature of society, which are false, so that any theories based on them are equally fallacious. Whatever their pretensions, they treat man not as a sovereign individual but as a unit in an organisation whose end he must serve. Left politics, and especially Communism, with its abolition of private property, constitute a denial of the rights of manhood, and in practice all are denials of the existence of the 'Supra-Mental' faculties. It is for these solid reasons that the Roman Catholic Church long ago decided that it is possible to be a Christian or a Socialist, but it is not possible to be both.

It is necessary here to put in a word of warning about these good altruistic people who purport or claim to be socialists, or Christian socialists; but whose socialism on investigation proves not to be a doctrinaire political creed so much as a nebulous social altruism activated by a keen sense of the present injustices. These well meaning people have no part in political socialism, exert no influence whatever on its dogmas, and are only tolerated by the doctrinaires with difficulty.

The tragedy of left wing theories is the fatal contradiction between their well intentioned idealism and their working out in practice. Whenever this is pointed out to their supporters, the answer is given that, while the present efforts leave much to be desired, this is inevitable in an imperfect world, and the present contradictions are merely teething troubles which will pass as the goal is approached. They point out that there are always foolish or misunderstanding men who, even if only in ignorance, sabotage the



projects and have therefore to be restrained by force. This they claim as a privilege of governments, and as a universal custom. In other words, the end justifies the means. When socialists are questioned, for example, about Russia, the reply is frankly made that Russia is not yet Communist, or even socialist, that the present situation has been forced upon the Russians by the enmity of the capitalist governments; and that in any event the people must be unified and disciplined in order to build up sufficient industries.

The fact is that any attempt to work out socialist theories is foredoomed by the very qualities of human nature. To inaugurate such vast social schemes by the nescientic approach is to lose the benefit of that automaticity which planned 'objectives' give. This means arbitrary interference by summary laws and regulations and the creation of an ever increasing multitude of government servants. The inevitable accompaniment of this is gross inefficiency and widespread corruption because of the position of privilege wherein the government servant is thereby placed. This, in fact, is what happened in every country controlled by a bureaucracy.

The analysis of "left" wing methods applies with singular accuracy also to the "right" wing methods. When we look into the abstractions called Fascism and Naziism we see again nescientic theories with the supposed aim of removing the errors and injustices of society. It is not necessary to do more than remind readers that these tenets, in common with those of socialism, relegate the individual in servitude to an organisation, and make the usual denial of the 'supra-mental.' They conjure up the same apparatus of coercion, and the same specious excuses about their activities, so that for them force is also justified as the means to a supposed end.

Again we see that any attempt to work them out ends in failure as it must, since not only do "Fascism" and "Naziism" deny the rôle and 'objective' of humanity, but, like Socialism, neither has properly understood the rôle and 'objective' of the 'First Part' of banking\*; and so long as the debt system is permitted, so long will the same abuses exist.

It is true that extremes meet and when the normal Britisher or American looked across the political desolations of Europe to Germany and Russia, he saw nothing whatever to choose between

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\* Though the Nazi leaders very nearly understood it.

them. So far as all but political abstractionists are concerned, Naziism and Communism were tweedledum and tweedledee. Their respective supporters were top storey inhabitants of the political Tower of Babel. One thought only in terms of proletariat and bourgeoisie and the theories of Marx; the other in terms of Aryans, Nordic Men, blondes, blood and soil, and the theories of Hitler; and so, neither understanding the other, each fell on his adversary with insatiable ferocity. This was the 'myth' basis of the recent Russian-German hostilities. And thus it is that neither socialism in any of its many variants, nor fascism in its several aspects, whatever these dubious words mean, hold out the least hope as cures for social disorder; since all these political creeds are but useless abstractions concocted by the mythopoeic faculty.

## *Chapter Twenty-eight*

### THE PANACEAS—DEMOCRACY.

There is yet another political panacea which requires attention. It is the ideology at present designated democracy. It is important to unveil this fantasy, as the U.S.A. and Britain were and are supposed to be fighting for it. We ask first what is democracy. A dictionary definition is "a form of government in which supreme power is vested in the people collectively and is administered by them or by officers appointed by them." Another defines it as "a form of government in which all classes, including the lowest (!) have a voice in government, directly; or through their chosen representatives. The Penguin Political Dictionary defines it as "government by the people" either direct (i.e. by primary popular assemblies or by plebiscites on legislation) or indirect (by representative institutions.) According to this book "the government may either proceed from and be responsible to, parliament or to the people" (as in Britain and U.S.A. respectively). "Democracy implies free choice at regular intervals between two or more parties, a single party State cannot be democratic," and it is stated that "free candidacy and discussion are prerequisites for free choice. The sovereignty of the people is to be expressed by the will of the majority." The Encyclopaedia Britannica defines it as "that form of government in which the people rules itself either directly or through representatives." A definition from an American source states that "the Democratic theory of government . . . holds to the belief that the individual controls his government through active

participation in the processes of political Democratic government, but bows to the will of the majority, freely expressed . . . We must acknowledge that the life of Christ was based on principles which are necessary to the development of the Democratic state . . . Men and women of Democracy will have to . . . show that they have something to offer under a Democratic form of government which is not offered by any other philosophy or any other theory of government. It will be an exciting new world if it is created on these principles."

Let us look now carefully at the definitions which are those commonly used and understood. All save the American are agreed that democracy is a form of government. The first definition states that in this form supreme power is vested in the people collectively, and is administered by them or by officers appointed by them. It is further described as "the people ruling itself directly or through their representatives." Now what do these statements mean? When considered realistically they mean little or nothing. They are 'myth' concepts in their entirety. What does "supreme power" signify? Power has no meaning, no existence, except as force exerted upon something or somebody to produce an effect. "Supreme power" presumably means the zenith, the absolute of power. We now ask what is the nature of this power of democracy—by whom and on whom is it operated, and what effect is it desired to produce?

If we suppose that this enigma is satisfactorily answered, then how can this power be "vested in the people collectively," or "administered by them?" Again we are dealing with pure abstractionism—'myth' and illusion. How can this mythical power be vested in 45 or 120 million people? The definition that "the people rules itself" is absurd. The idea of rule implies superior and inferior—the ruling and the ruled. People might be ruled by a Prime Minister, or even a committee, if it were small enough, or by a King or dictator, or by the bankers; but the idea that people rule themselves is of the same order of absurdity as that men can lift themselves by their own boot straps. Such a conception of democracy is also 'myth.'

The definition suggesting that "all classes have a voice in government directly or through their chosen representatives" is equally fallacious. What, for example, is meant by "all classes, even the lowest?" Do classes of men voice opinions here or anywhere?

"Classes of men" is an expression which gives away the high-level abstractionist. How do men collectively voice opinions in any case? The Penguin definition speaks of "government by the people" and states that this mystic government is done either by primary popular assemblies or plebiscite, or by representative institutions; but that to be effective, there must be more than one party, and also free candidacy, the test of the sovereignty of the people being the will of the majority. But sovereignty cannot be an attribute of the people in a collective sense, and when we come to examine the workings of democracy in Britain we find that this is vitiated by the fact that candidacy is not free and that in any event there is in effect only one party. The truth is that if we accept these ideas, we shall find ourselves inextricably bogged in the depths of 'myth.'

It is when we come to look into the American definition that we realise just what ordinary people mean by the word democracy. This definition is not that of a specialist or authority but represents what the generality of educated Americans believe, and is to that extent of far more political importance than the contributions of specialists to encyclopaedias or dictionaries. The important feature of this definition is its purely mythical and nescientic character. Right away we are told, not that democracy is a *form* but that it is a theory of government. This is the only piece of reality in the whole statement. It then states that the theory "holds to the belief that the individual controls his government." No theory can hold to any belief, but to believe that the individual controls his government in the U.S.A. is to believe in fairy tales.

It is then stated that the life of Christ was based on principles which are necessary to the development of the democratic State. Considering that all such states are founded not on principles but on the practice of 'usury,' which Christ condemned in no uncertain manner, this is a remarkable statement. It is even more remarkable for the idea that the life of Christ was based on principles at all. To the contrary, His life had nothing to do with such abstractions as it was a life of 'realism.'

Then we are told that "men and women of Democracy will have to show . . . that they have something to offer under a Democratic form of government which is not offered by any other philosophy or any other theory of government." This is nescientic idealism at its

worst. The statement presupposes that all governments are the outcome of, and act by reason of, philosophies or theories, when in fact they do not; and it would undoubtedly be both a new world and an exciting one if ever such a *volte face* took place. Indeed, it has been the very effort to accomplish this impossibility which has helped to land Europe in its present disorder.

And so even democracy, the magic panacea of the English speaking peoples, is a figment of the mind, and as such it is as impotent as any other abstraction to create a correct social order.

At this point, however, it will be convenient to interpolate an explanation. Let me remind readers that I am attacking democracy *as a political theory or abstraction*, which may be quite a different thing from their personal conceptions of it.

Let each one look into his own mind on the matter and it will be apparent that a semantic discipline is highly necessary here. What the generality of English speaking people mean by democracy is quite clearly not any specific political theory but a deep individual conviction of the need for government *by common consent through free and open discussion of all the relevant facts*. With this conception I am in full accord and indeed, at the present stage of social evolution, and for centuries to come, there does not seem to be any other feasible or satisfactory method of government.

The word democracy has indeed become verbal nonsense and varies in meaning as completely as the life and works of Walt Whitman from the theories and practices of the Soviet Union. When Englishmen and Americans think of democracy they certainly mean something vastly different from the Russian variety. Though their ideal is far from being recognised in practice, they are thinking of a system of government compatible with the highest possible degree of individual sovereignty.

Such a system is far removed from the accepted abstract conception of democracy, which constitutes a dangerous ideology because it is supposed to be the kind of system the United Nations were fighting to maintain, and presumably intend to impose on the vanquished peoples.

It has, in fact, no more 'reality' than its "left" and "right" wing partners. In the world of fantasy it is merely the ideology of the "centre," and any attempt to realise it in practice will only serve to shackle men still more firmly in the chains of debt.

## *Chapter Twenty-nine*

### THE PANACEAS—POLITICAL PLANNING.

Thus we see that whatever the policies, whether "left," "right," or "centre," we are dealing with Hellenic-deductive theories which are divorced from 'reality,' and are therefore unworkable; and the effort of humanity to walk in this direction is thereby condemned.

Now the plans so far discussed have been based on political theories. But there exist at least in Britain and America other groups of people who are not tied to political theories, but are hoping to create a better world by specific plans. The essence of this technique is planning from above; that is, by the imposition from above of so many schemes each dealing with its particular! problem. The danger of this system lies in its apparent reasonableness, in its divorce from political ideologies, and in the prestige of its supporters. Its greatest danger, however, is in the fact that this movement has the support of the financial oligarchy. When we hear the present politicians speaking of the "New Order," what they mean is simply Political and Economic Planning from above to make the famous land fit for heroes. To envisage the kind of world we might expect from the planners, we have only to refer to the *Picture Post* of 4th January, 1941.\* In this, the New Year resolution issue, as it were, we are given a Plan for Britain. The article is headed by a photograph of a Welsh miner who asks work for himself and a future for the new generation. What the Welsh

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\* Written in 1942, before the Beveridge proposals; but not in any need of amendment.

miner really wants is not work but 'Basic Security,' which includes a large slice of leisure; but we can let that pass.

The first article centres round plans for governmental control of everything. The author believes that the uncertainties of a badly managed monetary system aggravated by the speculator (i.e. lack of control) made control of commodity markets and production impossible. A large part of this argument, it is encouraging to note, is devoted to smoothing over the disturbing prejudices which British people appear to have against Civil Servants and government control. His argument is based on the last war experience. He says, "When everybody was bidding against everybody else" (i.e. when normal people, having at last acquired some purchasing power, proceeded normally to purchase articles) "there occurred an artificial rise in prices and wages." (What, might we enquire, constitutes a natural rise in prices and wages?) "And afterwards, when the frenzy of speculation had exhausted itself, came the crash." His prophecy for the present post war future ran thus:—

There will be a tremendous demand from all the territories which have been the scene of hostilities . . . . the intensity of the demand will cause a shortage in some materials, the speculator will step in and prices will soar. This is what we (!) call a 'boom,' and it is probable that this boom will be concentrated in the . . . . U.S.A. and Britain. But what would be the results? Capital would be attracted from the territories which needed it most—that is, the devastated areas—to those which needed it least. In such circumstances we should soon find ourselves engaged in the same old scramble for foreign markets. We should then discover that, while we seemed to be hard at work at providing materials for the rebuilding of Europe, we were being paid only in paper—for the weak countries would be denied the chance to pay with anything else. Paper payment would soon fail to satisfy the speculator, who would try to realise the profits on which he could lay his hands and close down the business, leaving the workers to fend for themselves at the labour exchange.

This, to me, is incomprehensible, but it is the basis for the author's policy of universal government control.

He justly deprecates the necessity for freedom loving people to submit to such control, but this he regards as an old fashioned prejudice, for he optimistically remarks: "But we have surely reached the stage of overcoming this prejudice." He is in fact certain we have reached that stage because men ought to know that this prejudice is a device "fostered by the people who want freedom



to profit at the expense of the majority." The author's bogey is the speculator, so "we must be able to control investment."

This means control over investment in houses and fixed plant, over working capital, over the issue market, over banks (the commercial variety, no doubt), over dividends and reserves of companies, of a co-ordinated price and wage policy (tribunals to enforce equity and prevent hardship), of priority supplies of materials and of manpower (every man to find a job and no unemployment benefit). He believes direct subsidies may be necessary.

The author smells a possible danger in individual initiative and enterprise tending to disappear under the weight of government control. We would have thought that by this time it would at any rate have been crushed to infinitesimal thinness, but apparently not. The solution is to "find the correct compromise between planning and individualism, and it is surely within the genius of the British people to reach that happy goal." Various taxation devices play an important part in this happy post-war world, but there is one little difficulty. "If we are to make a success of such a system it will have to be based on practical international understanding in planning." Now comes the key idea, "It is obvious that such planning is not possible whilst maintaining the traditional concepts of sovereignty. They will have to go . . . . Continents will have to be unified . . . ." He admits "It will be difficult to administer," and then disposes of the trifle thus:—"We must educate the administrators." (Who are "we?")

The next article is entitled "Social Security" and is a plea for what the author calls the British social security services. ("They have been a great boon to us all.") The basis is a national minimum for employment, unemployment, sickness, old age, widowhood. This, we are told, means that all would be guaranteed the right kind of food to keep them healthy (not, be it noted, the kind of food they wanted)—with allowances to cover a moderate (?) rent, clothing, general household expenses, and some conventional luxuries, to be followed, as economic life recovers after war, by allowances to cover a few more conventional luxuries (whatever these are supposed to be).

The National Minimum means (1) a minimum wage to cover standard needs for a man and his wife, with children's allowances

financed by taxation, to cover their minimum standard needs. (2) An "All-in" contributory social security policy to cover old age, sickness, and so on, including burial expenses (or presumably cremation, if desired, at the minimum temperature). (3) Expansion of public assistance services to "provide extra help and special forms of help" to meet special needs. The children's allowances are to be paid either in cash or coupons which could be exchanged for milk, and other essential foods, footwear and clothing. Nothing, it is observed, is allowed for comic papers or chewing gum. The State would ensure, that the family was at least (the minimum?) warm and fed.

These schemes are apparently to be financed through the present Insurance Companies and societies, and all citizens earning under £500 per annum would be included. The administration of these schemes should be in the hands of the Ministry of Social Welfare, a needs test being the basis on which they would work.

The next article is on Planning the New Britain. It is a grandiose scheme of road design with liberal aesthetic features such as trees, gardens, parks, with planning as to architecture and the lay-out of buildings. The town planning is to be done by the government, which makes up its mind (if you can imagine such a feat) where industry has to go, together with railways and roads, all to be done with economy both in capital and running costs, and with a change over from private to public ownership of land. The succeeding article is of a piece with this and is an appeal to plan the home with standardised equipment and municipal services for hot water, laundry, refuse disposal, and so on.

There is an article on the land, in which the soil is made the first care. A commission is to apportion the land for various needs, farms have to be equipped with modern buildings and facilities, with scientific and commercial services behind the farmer, who, in turn, should be certified as to his technical skill. It is also proposed to award land to farm workers of proved experience as a means to a career.

The plan for education is simplicity itself. It is (1) the same kind of education for all up to the age of 13; (2) "Educative control" for all up to the age of 18; (3) the child's future education to be decided at 13; (4) the public schools to be brought into the general system;

(5) some youth service for everybody; (6) a break between secondary school and university, and (7) an overhaul of university curricula.

The plan for health includes a healthy diet for all, family financial allowances, subsidies for adequate housing, and the revision of public health services, with State medical services, health centres, and clinics in every district. The final article on leisure advocates more holidays and better opportunities for studying the arts, with civic centres for music, drama and the play.

Here then is a description of economic planning by acknowledged authorities. The Work for All contribution is by Thomas Balogh, described as "expert on finance and economic problems. Used to work in the League of Nations secretariat. Now a tutor at Balliol College, Oxford, and works in the Oxford University Institute of Statistics." The Social Security contribution is by A. K. D. Owen, "Stevenson Lecturer in Citizenship, University of Glasgow. Now acting secretary of Political and Economic Planning, engaged in studies of social and economic reconstruction." The Plan for Education is by A. D. Lindsay, "Master of Balliol College, Oxford, one of the leaders in educational ideas." The plans on health by Julian Huxley, biologist secretary of the London Zoological Society, and Dr. Maurice Newfield, described as an outstanding writer on medical problems.

These articles, it should be observed, were not mere journalistic exercises. They represent the considered opinion of many people, whose views undoubtedly carry great weight, and there is every indication that such schemes are now to be inaugurated by the government.

When we examine these contributions, we find that those on leisure, the use of land, home planning and town planning, have much to recommend them, but all imply the expenditure of vast sums of money. As for the other articles, they are terrifying. Can we imagine what sort of life it would mean to have complete official control over every aspect of human activity? This is presumably the freedom we were expected to defend. The truth is that such schemes are unworkable and a serious infringement of individual sovereignty, and any people foolish enough to permit them will richly deserve the consequences. In any event, suppose that they were practicable and that instead of the low standards available to-day, everyone had subsidies, allowances, clinics, food, and all

'Basic Needs' supplied, where has the money to come from? The planners apparently believe it could be derived from taxation within the system of debt finance. Suppose that, in any event, the money were actually forthcoming, what is the sinister purpose behind this government control? Suppose there is enough food, clothes, houses and the other requirements, and suppose that there are enough doctors, nurses, teachers, architects, accountants, and other skilled professional workers to do what is needed, would these same people not be employed doing the same work more efficiently, and certainly more satisfactorily, if the government did nothing whatever except ensure a sufficiency of consumer's purchasing power?

To contemplate these plans is to despair of human intelligence. Here is a formidable body of experts seriously advancing proposals touching all social life but not one so much as mentions the financial system; while all think of getting money by compulsory contributions to insurance schemes and taxation, and doubtless by "loans." These experts do not appear to have heard of the 'First Part of Banking' and so their plans do not touch this. 'Usury' and debt are beyond their mental horizons, though no two factors are more important. All their ingenuity is devoted merely to changes within the orthodox credit-creating system, by an elaboration of the old threadbare dodges under government control.

Apart from suggestions as to more leisure and art centres, there is nothing to indicate the real needs of men—which are for security *with freedom*, and leisure for private purposes. These planners' suggestions show ignorance of 'Integral Man' and his needs, and especially his 'Supra-mental' needs. Religion might be non-existent, while social mechanisms are not understood and planning towards 'objectives' is therefore an unknown technique. The final foolishness, however, appears in Mr. Balogh's suggestions. His grandiose scheme for control is outlined first; but he admits that it would not work unless all nations were prepared to unite within some sort of magic federation. If this is a *sine qua non* of success, we had better admit the impossibility of the proposals and write them off. In any case they are based on innumerable Hellenic-deductive generalisations of which one is the "principle" of sustaining individualism and the other is the opposite "principle" of collective planning. The author thinks that a compromise is the solution. But how can you compromise in the application of

such principles? Each will work itself downwards when applied and each can only achieve its specific results. To work out two principles together would not result in some new mysterious compromise between them, for they are separate and immiscible. It would only mean that here one would operate, and there another; or at this time one, at that time, the other.

The suggestion of federations of nations leads us to consider finally that popular panacea of Federal Union. This plan was given a suspicious amount of world wide publicity on the appearance of "Union Now" by Clarence Streit. It is the perfect example of the Hellenic-deductive technique, the general statement being thus—wars and all international friction are caused by the existence of national sovereignty—therefore, to abolish wars and international friction it is only necessary to apply the counter “principle,” i.e. abolish national sovereignty. It is proposed to do this by creation of a federation or union of States.

Mr. Streit's proposals for the union members are these:—

- (1) a union citizenship,
- (2) a union defence force,
- (3) a union customs-free economy.
- (4) a union money,
- (5) a union postal and communication system.

There would be common government within the federation in the above five fields. Outside these each country would retain an independent (!) national government, the whole calculated to create in time a universal world government. What the ‘objective’ of the latter would be is not made clear, unless it is implied in the statement (page 62) "that the most urgent problem of civilized mankind is to constitute effective means of governing itself . . . ." This is indeed to confuse means and ends. Government is not an end, but a means to an end, though this is rarely realised or defined. Surely the most urgent problem is the getting of 'Basic Security' for all.

Mr. Streit, curiously, believes that the machine brings the individual man into closer relation with the rest of mankind; where the machine only does what it is designed to do, which of course may or may not bring mankind closer but usually separates men unless each user of the machine understands what it does. He defines a machine as anything made by man which frees man even a little

from any of his natural limitations or which extends his powers. A machine usually extends man's powers, but the significant point is not this extension but the end to which the enhanced powers are used; and instead of a machine freeing man from his natural limitations it does the very opposite. A machine, in direct proportion to its specialised nature, in fact limits man, because it restricts him to its specific 'objective.' Yet though machines limit man, if enough of them are used, with a sufficient extension of power, and towards the proper 'objectives,' they act as liberators—which is another matter.

But to revert to the five fields of federal government, the Union, then, would provide a common citizenship, armed forces (only for "defence," of course) free trade between its members, a common money and communications. All are eminently desirable, but there arises a serious difficulty. What does Mr. Streit mean by the apparently simple word "money"? As he nowhere states what he means by it, we must infer what is meant. On page 99 et seq. he discusses the gold standard. This he regards as a good thing but as unworkable under national sovereignty, as then any one State can "go off gold" at its discretion. The stability of the gold standard depends, in his view, on confidence, though by whom and in what is not stated. He says "Recent experience shows *that central control over money is essential to confidence and that it is not possible when national sovereignty divides control among several fairly equal rivals.*" Now we begin to understand the situation. Apparently the stability of the gold standard depends on confidence, and confidence depends on the loss of national sovereignty! It is a pretty picture.

We need not trouble to investigate this mysterious scheme of Federal Union any further. Mr. Streit frankly proposes control of money from a centre, which presumably will be the Union government bank. This money is based on gold, but what relation the gold would bear to it or what its nature, are not revealed. He believes the present monetary problem (what, it is not stated) is insoluble so long as democracies remain sovereign. His proposal therefore is this (page 224)—A single responsible government *overwhelmingly powerful in the economic world*, a single budget, a single gold reserve . . . . The money of the Union would be stabler than any that men have ever known and the stablest that is

now humanly possible." The Union would then exercise "the right to coin and issue money." On page 241 we are told "The monetary problem . . . would be among the easier problems for the Union." The Union money would have a new nomenclature and valuation, preferably that suggested by the Bank of International Settlements, a unit of one gram of gold. In return for the pooling of all the gold resources of the federated nations, the Union Would in justice *take over all national debt*, including all the war debt. This debt, and its bonds would then constitute the safest investment for the small investor!!

These suggestions point a lesson. They show how dangerous it is for anyone to make proposals about matters on which he is ignorant. Mr. Streit's jejune monetary scheme is crystal clear. There is not one new suggestion in it. It is the vicious unworkable orthodox system which died about 1914 and which the bankers have so far failed to resuscitate. It is the 'Negative Money' mechanism with gold as its basis, with the exclusive monopoly to mint coins and issue notes, and with debt and taxation no longer however spread over a number of central banks, but safely delegated to one super-bank operating on behalf of the Union. It is plain that Mr. Streit knows nothing of credit, its manufacture and rôle, and nothing of 'usury.'

His, scheme of Federal Union, under the money system he proposes, would end up as a gigantic financial and economic monopoly (he himself uses the expression "overwhelmingly powerful in the economic world") which, far from solving our problems, would only intensify them either by fomenting a war to the death between the Union and the oppressed remainder of mankind; or, if all nations were in the Union, by the creation of the biggest debt ever known with a corresponding centralisation of power from which escape would only be possible by suicide. We need not examine this proposal further. Its fallacies are patent to all who understand the rôle of finance; and, while effectively destroying national sovereignty, it would dangerously enhance a deadlier super-sovereignty.

Mr. Streit however, is correct in this, that wars and international strife will only cease when nations are deprived of their present variety of sovereignty. The answer of social science is clear. It enquires first of all what that national sovereignty is and what

creates it. The reply is—national sovereignty as at present constituted is nothing more than the exercise of centralised power by the financial oligarchy. It is created by the 'negative money' system. The solution of social science for this problem therefore is exactly the opposite of Mr. Streit's, viz. change the financial mechanism so that 'Free Money' replaces 'Debt Money.' This simple device would destroy the spurious national sovereignty and render wars of the modern type impossible. It would also destroy debt, taxation, and the delusions of the planners, which would be a great boon to suffering humanity; and it would create a genuine nationhood everywhere.

Summarising these criticisms, planning as generally understood, which means the arbitrary imposition of a plan from above (from central authority) according to the 'Myth of Action,' is unworkable, because it is not possible to exert any control over phenomena without first ascertaining the causal nexus linking the events, i.e. without an understanding of the natural laws involved. There is much need of wise planning but it will only be practicable by a utilisation of the 'Philosophy of Mechanism' and under the rule of natural law.



## *Chapter Thirty*

### THE PANACEAS—THE PLAN OF ORGANISED RELIGION

The plan of organised religion refers only to the Christian Church. This organisation has not only claimed a unique place in world religions, but the source and centre of the present disorders is in those countries which are nominally Christian. For this reason the Church has been much exercised about the condition of society and has promulgated official views by way of remedy, and these we shall briefly examine.

The expression "Church" firstly calls for an explanation. As commonly used it has a variety of meanings, some mystical, some mythical; but here it will denote for convenience the official Church, as represented by the views of its accepted leaders.

The Church has always realised the difficulty of its position vis-a-vis the State, and much trouble has been taken to define their respective realms. Such a task is vain because both Church and State as thus conceived are high-level abstractions. The Church of recent years has assumed that it has no business with politics as such, or with the technical nature of social machinery; but that it ought to lay down the "principles" on which society should be built. According to this method, the "principles," which are based on Christian or supposed Christian teaching, make the starting point for the actions of the State, and are then worked downward into practice by legislation.

The contributions of the Christian Church to the social problems of the past century have been exclusively through declarations of

such "principles." The Roman Church has been zealous in this direction, and indeed it is the only Church which has made any persistent attempt to influence the State.

Before and since the 1939 war, all the Christian churches have been working along these lines. The amount of material published has been great; but fortunately for once, all sects and denominations are in general agreement on the presentation of "Principles."

If we examine the Roman Encyclicals *Rerum Novarum*, *Quadragesimo Anno* and *Divini Redemptoris*, we find that they consist of hundreds of "principles," of which the following are representative. Thus, owners and employers—must (1) respect the dignity of their employees (2) not treat men like chattels (3) leave them time for religious duties (4) not overtax their strength (5) not exert pressure upon the indigent for gain (6) not get profit out of another's needs (7) not cut down earnings of employees by force, fraud or usurious dealings.

The State, whose leaders are to be held in the highest estimation (!) should (1) consult the common good (2) regard alike the interests of all, high or low (3) provide for the welfare of the working classes (4) preserve the inviolability of private property (5) safeguard private property by enactment and protection (6) control its use but not absorb it (7) induce as many as possible to be owners (8) step in to protect the general interest of any particular class (9) not discharge its duty in an arbitrary manner.

With regard to labour it is laid down that (1) man possesses the right to provide sustenance for the body (2) the results of labour should belong to those who have bestowed their labour (3) wages ought to be sufficient to support a frugal and well-behaved wage earner (4) and with care to allow for savings, and (5) that class is not naturally hostile to class.

It is also laid down that free competition and economic power must be brought under effective control of the public authority; that the wealthy classes must be induced to assume those burdens without which human society cannot be saved nor they themselves remain secure; that the government must secure employment; that the State must allow the Church full liberty. (Extracts from Eric Gill's "Social Principles and Directions.")

With regard to the war the matter was simplified by a letter in the *London Times* of 21st December 1940, wherein the Anglican, the Roman and the Free Churches subscribed to the following:—

Having in a preamble stated that no permanent peace is possible in Europe unless the *principles* of the Christian religion are made the foundation of national policy and all social life, they then accept the five points of Pope Pius XII. as embodying these principles.

These points may be summarised thus:—

(1) The assurance to all nations of their right to life and independence. If and when these are infringed, reparation to be made by the rules of justice and reciprocal equity.

(2) Nations to be delivered from the slavery imposed upon them by the race for armaments and from force becoming a tyrannical master.

(3) The creation of a juridical institution to guarantee the fulfilment of conditions agreed to, and which shall revise such conditions if necessary.

(4) The real needs and just demands of nations, populations and racial minorities to be adjusted as occasions may require.

(5) The development among peoples and their rulers of that responsibility which weighs human statutes according to the sacred and inviolable standards of God, and of that universal love which is the expression of the Christian ideal.

Then follow other five economic points:—

(1) Extreme inequality in wealth and possessions should be abolished.

(2) Every child to have equal opportunities of education.

(3) The family as a social unit to be safeguarded.

(4) The sense of a Divine vocation must be restored to man's daily work.

(5) The resources of the earth should be used for the whole human race, with consideration for the needs of the future.

Thus the religious plan for the problems of society is seen to consist of a series of "principles" which governments, nations, classes, rich, poor, kings and counsellors have to be induced to accept and apply, in the expectation that such application would correct the abuses.

This method of approach to problems has been employed by the Church for centuries. On the same procedure, and probably over the same table, on the 24th of February 1616 the theologians of the Holy Office stated that Galileo's statement of heliocentricity was "absurd in philosophy, and formally heretical, because expressly contrary to Holy Scripture," and that his statement as to terrestrial diurnal rotation was "open to the same censure in philosophy, and at least erroneous as to faith." Galileo was forthwith summoned by command of the Pope and officially admonished not to hold or teach the condemned doctrines, whereupon the congregation of the Index duly suspended "*De Revolutionibus Orbium Coelestium.*"

In other words the Christian Church was trying to determine the motions of the heavenly bodies according to Hellenic-deductive principles and not according to ascertained fact. In the field of sociology it has not yet abandoned this method. Everybody knows that it is harmful for men to get burned; but it would be absurd to promulgate a "principle" that burning was harmful, in the hope that its application would abolish the effects of heat on the human body, when men all know from experience (i.e. inductively) that the avoidance of injury is only possible by avoiding contact with heat.

Yet the promulgation of "principles" in sociology is equally though not so obviously absurd. For example, what is the use of laying down that employers must allow employees time for religious duties, must not overtax their strength, nor exert pressure on them for gain, nor get profit out of another's needs, nor cut down wages by force, fraud or usury, when these abuses are not done at the discretion of owners but are made necessary by the exigencies of the financial system?

Why waste time laying down "principles" that the State must consult the common good, regard the interests of all alike, and safeguard private property, when the money mechanism makes these consummations impossible? What success is the Roman or any other Church likely to have, in trying to induce as many as possible to become owners when the inescapable result of the debt system is to wipe out owners and automatically concentrate the means of production into fewer and fewer hands?

Why does the Roman Church go on condemning 'usury,' which it has done for the best part of 2,000 years, while not only does 'usury' increase apace, but this Church itself is inescapably committed to it? The Vatican no less (willy-nilly, it should be added in fairness) has a large portion, if not most, of its capital in the form of Italian government fixed interest bearing bonds, which constitute the most grievous form of 'usury.'

The incontrovertible truth is this. The present financial mechanism is a usurious one, and hence all who use the money created by this system are partakers, albeit unconsciously, of 'usury,' with its awful consequences. It is doubtful if the animadversions, anathemas, dissertations, and all the enactments of Canon Law have diminished the payment of interest by one penny in the last 400 years.

The power of the Christian church to help in social problems has long since vanished. Its primary error consists in the nescientic approach to phenomena. In this way the Church has failed to recognise the rôle of mechanisms. It has not grasped the vital fact that men's mutual relations are no longer direct and personal but are conditioned by the interposition of social mechanisms; and therefore all, even Christians, automatically serve the ends towards which these mechanisms operate, no matter whether these ends are known or otherwise, and no matter what the moral or spiritual status of those who use them.

If therefore the Church holds that there is a Christian ethic which is its duty to foster, its first clear business is to investigate social mechanisms in order to determine their 'objectives.' If, on discovery, these 'objectives' are acceptable to the Christian ethic, then there is an end to the matter. On the other hand, if the 'objectives' are contrary to it, the Church's duty is to proclaim the correct ones. In a truly Christian community new machinery towards the correct ends would be designed by the State. Here, in short, are the functions of Church and State, proclaimed in terms of 'realism.' *The Church's duty is to determine correct 'objectives.' The State's duty is to design the machinery towards these 'objectives.'*

The fatal omission of the Church to appreciate the rôle of the social mechanisms has also caused it to misunderstand and to vitiate human responsibility. That men are responsible for their action as individuals is a certain doctrine of Christianity. But if men operate social mechanisms in ignorance of what they are thereby accomplishing, two results ensue. In the first place they will find that they are continually acting in ways which are repugnant to them as individuals. In default of the knowledge of mechanisms this is always regarded as a mysterious thing, to explain which they have to recourse to theories of Original Sin, mob psychology and so on. In the second place, ignorance of the law being no excuse, the consequences of actions accomplished through the interposition of mechanisms are inescapable; and it is for this reason that such terrible events happen.

Constantly one hears people exclaiming against the decrees of heaven and demanding to know why it is that they, living decent lives and not consciously aware of any grievous personal sin, neither

consciously aware of any desire to do other than justly, have yet to suffer the visitations of malignity. The answer is, as Dostoievsky so persistently stated in different words, that we plain good-hearted and well-meaning men are personally responsible for these visitations because we have evaded responsibility through our ignorance of the way in which Social Mechanisms operate towards inflexible ends served by a tremendous multiplication of power.

There is yet another serious error in the Church's attitude to things social. The Christian "principles" stated represent merely the official formulary of the Church. But there is another important aspect which is, so to say, unofficial. Any who have had practical experience of trying to get clergy or other professing Christians to take action in social matters, are likely to have met surprising indifference if not hostility. The root of this lies in the idea that the Church's business is not to deal with social matters but with persons, and that the source of all social disorder and the present disasters is therefore in unregenerate man.

The consequences of this view are grave because it implies the futility of corporate social action. It is stated in various ways. The majority of clergy, whose point of view is largely intellectual, state that human conduct cannot be changed without first changing human nature, or, as it is often put, changing men's hearts. A corollary of this view, which is very important, holds that there is nothing wrong with our social mechanisms and that if men were only good enough, these mechanisms would work perfectly. At the other end there is a minority of the clergy who boldly state that social reforms are not dependent on any ordinary change of heart or of nature, but on that major cataclysm of the personality which constitutes the spiritually regenerate man, and which is known under various names such as the second birth, conversion, and so on.

To reason thus is only to confuse the issue. It is to raise the hen-or-egg-first argument. We have an analogous problem in the dog with the tin can tied to the tail. Everyday practical people, being annoyed by the din of a distracted animal tearing along with a can behind, simply seize it and untie the string. This is the Baconian-inductive or 'realistic' approach effectively accomplished. But it might be, for example, that in a well-organised street, no individual would be permitted thus to take the law into his own

hands. The dog, plus string and can, might conceivably be brought before a committee.

Suppose the animal appeared before a committee activated by the Hellenic-deductive method. The members would then begin to extract "principles." It would be easy to show that the infernal noise was due (1) to cobble stones (2) to tin cans (3) to string (4) to dogs (5) to naughty boys. The committee would then go into session to discuss these points. It would be quite possible, with sufficient time and ingenuity, to evolve a hundred "principles" on which to take action.

One individual might consider the best "principle" would be abolition of cobbled roads in favour of rubber ones. Another might prefer to recommend the abolition of tin as a material for containers, yet another that string should be done away with. There would no doubt be those unreasonable extremists whose solution involved the doing away with dogs, or even boys. In the end it would be impossible, even on theories alone, to get any agreement. But as one member of the committee was in the rubber trade, another had shares in a string factory, a third had a wife whose father was managing director of a tin company, and several possessed dogs and boys, the issue would be further complicated.

Furthermore as these arguments had taken up so much time, and as stray dogs, old string and boys are to be found everywhere, the committee's deliberations would almost certainly be interrupted by another dog plus can. This would force the issue, which in the end would be effected by compromise, to please all parties and satisfy none. Decrees would be duly promulgated making it an offence to build any more cobbled roads. Tin cans would be replaced by glass jars according to a formula laid down by another committee. In the interests of posterity, dogs and children would have to be licensed and classified, and string only procurable by a permit, duly attested, as to the use for which it was desired. If a really determined effort were to be made, there would be devised compulsory courses of training of dogs by creating new conditioned reflexes of a more suitable character; and also of boys in the ethics of dog baiting, with more injunctions as to conduct. Other committees would probably investigate acoustics and the physiology of hearing in order to determine what amount of noise constituted annoyance and whether even human hearing might not be suitably altered.

It might be argued, of course, that the Hellenic-deductive committee could also have promulgated the principle of simply untying the string. One replies that in this instance the correct principle had been arrived at by one of two methods. Either it had been hit on out of hundreds of other principles, by a fortunate chance; or it had been in fact arrived at scientifically, in which case it is the equivalent of a scientific hypothesis.

Now parliament and the Administration, as well as the Church, are Hellenic-deductive committees. And when Christians abstain from social action on the theory that it will be ineffective until hearts are changed, we have the equivalent of the well-intentioned theoretician who won't cut the string simply because this would not make the bad boys good!

The Church will require to examine its position most carefully because in practice its attitude towards social amelioration is chiefly conditioned by the heart-changing theory. If this theory were wrong, a grave responsibility would be carried. In any case the Church must do one of two things. It must either openly abandon its efforts towards social amelioration; or if it decides to take part in this it must be possessed not only of goodness but of knowledgeable goodness, and the first consideration is a knowledge of the financial mechanism.

It may be the first business of Christians to change men's hearts, but two practical questions arise—whose hearts have to be changed, and how is this to be accomplished? Can a man know another's heart, and if so can he say whether and in what way it needs changing? But each man knows his own heart and the Christian's first duty lies there. Only in so far as he is successful in this task can he change others, and then this is not accomplished by anything he consciously does, but by the operations of inward grace.

As has already been pointed out, men cannot be changed in any particular sense of the word. What men can do, however, is to raise the focus of consciousness so that their actions, which is their response to environment, become more and more attuned to the 'Higher Sequence of Events.'

The argument that if men were "better" their social mechanisms would be "better" is based on a misunderstanding. Thus, it is often stated that if men were better the present money system, or the political system, or the educational, and what not, would "work



all right." A proper decision on this point is of the highest importance. The whole of this book is based on the thesis that it would not matter how good men were, the money, political, or any other existing social mechanisms would in the long run achieve the same results as they achieve now. One proof of this lies in the fact that even Christians whose "hearts have been changed" through utilising the financial mechanism of whose technique and 'objectives' they are ignorant, are *ipso facto* usurers and therefore help to bring about a train of terrible abuses.

It is often held that this problem is unimportant, since if people were better the present systems in any event would be changed. One replies that even in that case they would not be changed without effort, which means the presentation of the facts and the appeal to appropriate action as is being done here; and one can say with safety that the best intentions for an improvement in the systems will be unavailing without the correct technique, which is to change the 'objective' first of all and not to tinker with the mechanism.

It is doubtful in how far the present Church can do anything at all since it is a social mechanism conditioned by and serving the ends of finance. Its contribution to the present problems by the ten points quoted is as futile as were President Wilson's fourteen Points in 1918.

Consider the Pope's five points. It is all very well to lay down an assurance to all "nations " of life and independence and that if these are threatened, reparation must be determined by the rules of justice and reciprocal equity. Apart from the fact that the financial mechanism forces the opposite kind of conduct upon nations, by just whom or what means is an assurance to be given or implemented; and by what rules and by whose ruling shall any course constitute justice or equity? As to delivery from the race for armaments, all peoples have yearned for this for years, but how can they avoid this race under the technique of international lending? There is no need to elaborate on these points. The difficulties are insoluble under the present order. As for the five economic standards the same criticisms apply. To anyone who understands the operations of the money system each and every "principle" is unattainable so long as the debt apparatus is allowed to operate.

It is true that the business of the Christian Church is to deal with persons and not society, and that the source of all disorders lies in man. It is the dim intuitional grasp of this truth erroneously understood which has paralysed the church's arm in the creation of a true civilisation. But danger lies in blindly accepting dim intuitional apprehensions. These have to be justified finally by and through the mind and it is at this point that Christians have fallen by the way.

The source of all our social disorder must finally lie in man but it does not lie in mystical theories of sin. It lies in man's inability to grasp 'reality.' For centuries in Europe the shadow has been mistaken for the substance. The principal defect has been the creation and acceptation of 'myth.' Now the high task of true religion is simply to mediate 'reality' in its widest sense, and to infuse it into education, thus dispelling 'myth.' Had this been done, the present social mechanisms would never have come into being, because they are based on 'myth,' and have inverted society. The Church, through its delusions about "principles" and their operations, which are historically Hellenic and not Christian, is still wandering in the wilderness of words and men's indifference to its present message is a measure of their subconscious grasp of this fact.

To conclude, the defect vitiating all proposals advanced by political ideologists, economic planners, federal unionists, democrats and Christians, is in their nescientic approach, which erroneously implies that action results from the application of "principles," whereas action results from the operations of the rule of natural law.

## *Chapter Thirty-one*

### REFORM BEGINS AT HOME.

That a recurring pandemic of war is the inevitable outcome of the structure of society is plain. Yet the real issue is far from being understood as yet, for behind these terrible conflicts lies another purpose which is being worked out. The object of the World Wars could not lie in the supposed aims which, varying from country to country, only exist to satisfy the 'myth' concepts of their respective peoples; neither could it lie in the consummation of an ideology, whether of race, religion, or class; nor in such an abstraction as the Atlantic Charter.

From what little we know of history it is apparent that nations are faced at rare intervals with a major cataclysm which presages a new phase of development. Such a phase is now near and invites our co-operation.

The epoch which is running to its conclusion represents a grand period of human progress, in spite of present appearances to the contrary. Its structure, however, is basically Hellenic and not Christian, and its foundation is 'usury.' The civilisations built thereon have served Europe for about 3,000 years; but they can no longer satisfy the awakened aspirations of mankind.

This epoch is characterised by the dominance of the mind, which means isolation, separation, rivalry, competition. The practice of 'usury,' which is a mind-begotten device divorced from 'reality' has nevertheless played a decisive part; and accompanying it, supporting and justifying it, is the Hellenic-deductive orientation to events.

The age of Bacon marked the first real departure from the inheritance of Hellas, and the present cataclysm is its consequence. The developments of science by which men for the first time triumphed over nature were only the first faltering steps in the new direction. It is by a further application of the same methods that the new order will be born.

A stupendous issue now faces humanity and on it the future depends. It may be that the time is hardly ripe, and men may choose yet awhile to follow the unreason of their minds and submit to 'myth,' in which case conflict and suffering will continue.

But the true object of the world wars is clear. The old order, having outlived its usefulness, is being swept away. We hear much of a new order, but does anyone suppose that such an order could develop out of the present state of society? It is so corrupted that it is beyond hope of regeneration. The process of destruction, therefore, necessitates what abstractionists call foolish leadership and policies; and suitable men of destiny are therefore set up in places of power to encompass the ends of social evolution. "Whom the Gods would slay they first make mad."

But not only have evil systems to be destroyed before the new age can be born, but the evil forces generated by these systems must likewise perish. As men think, feel, and act, they generate a vast reservoir of energy which may take centuries to liberate and work out. Some of these energies are directly helpful towards the human goal, but most at this stage of evolution are not. These wrongly directed energies produce human suffering, since within life's unity the law must work itself out. The holocaust of war is therefore not only a means of destroying evil mechanisms, but it is a means of adjusting the balance of right and wrong.

Yet the real time of trial has now arrived with the cessation of hostilities, when men are required to determine the next step; and there are two cardinal directions between which they will have to choose. Either they attempt to re-create society on the basis of 'usury' and its 'Negative Money'; or they will effect a radical change in the financial mechanism by the introduction of 'Free Money,' in which case a new order would certainly be born.

In the light of events let us now enquire what the future holds for the nations. The world will not now be ruled by a Japanese Pan-Asia, or by the jack-booted might of a Herrenvolk. But is it destined to become enslaved to the 'myths' of political abstraction-

ists of "left," "right" or "centre"? We can answer briefly that the future of the world lies for a long time with the English speaking peoples, and it does so because of the forces inherent in them. The future, in short, lies with that nation or association of nations which will be the first to inaugurate a system of 'Free Money.' When we consider the conditions suitable for this change, we are on sure ground. We can rule out all nations which are not efficiently and sufficiently industrialised. The ideal country could be one which was 100 per cent self-sufficient in raw materials, which had a highly efficient industrial mechanism and a stable central government. No country which was lop-sided economically and hence dependent on many others, could possibly create a 'Free Money' system. These conditions, therefore, rule out the whole of Asia, including Japan. Russia is meantime insufficiently developed industrially, and her government system would prove a serious handicap. No European countries would satisfy these requirements either and so we are left with Britain and her daughter nations, together with the U.S.A.—in other words, the English speaking peoples.

They alone possess the conditions requisite for a new order. They have the raw materials, the technical ability, ample skilled labour, orderly and law-abiding peoples politically advanced, and used to individual freedom, and a society which to a higher degree than any other has been created by its own internal forces. There is yet another asset which is the privilege of the English speaking world—its peoples are remarkably free from political ideologies and are not likely to be carried away by such abstractions.

If these peoples do not grasp their present opportunity and should endeavour to impose upon the world an economic system based on 'usury' they will undoubtedly fail. The nations of the world are tired of having financial-economic policies foisted upon them even with the best of intentions. They thus suffered a London financial policy for over a century. Recently they have suffered under Washington, and now they are being threatened with an overwhelmingly powerful "international" policy.

It will be quite impossible, moreover, for a new order to be contingent upon a grandiose scheme which necessitates that all nations must march in step or that all must agree to co-operate. Let one country only put her house in order and the rest of mankind will voyage eagerly to her shores to learn the secret of her greatness.

Nor can anything come of such devices as Federal Union, the Atlantic Charter, or any other nescientic planning. One would have thought that the fate of Wilson's 14 Points, 4 Principles, and 5 Particulars would have been a sufficient warning. Apart from the impossibility of working out and applying this charter, it repeats the fatal mistake of the Versailles Treaty of assuming the continuance of orthodox financial methods. To take one point alone, the insistence of American "opinion" on Free Trade as a basis for world economy would be fatal to international commerce and peace under the Debt system.

Nothing is more certain than that a stable, prosperous, and peaceful world is only possible when men as individuals experience a large measure of satisfaction for all needs. This has little or nothing to do with territorial divisions, or empires, or economic arrangements, or rights as to choosing governments, and the like. It is strictly a function of the financial mechanism and the first step towards this goal is the abolition of 'Negative Money' in favour of 'Free Money.'

So far as Great Britain is concerned this means that the present policy of the Bank of England must be altered. Parliament has the power to do this; but such a change could not be accomplished by the present elected representatives.

The parliamentary leaders of whatever party are too much the products of the Financial Filter to make a radical change in the monetary system. Those who are committed to political ideologies, especially of the "Left," are generally speaking incapable of doing it. Socialists of every shade are too deeply committed to their theories; and it is significant that some of the most violent attacks on proposals for reform of the 'First Part of Banking' have originated amongst them.

In my view the chief hope for so radical a change lies in the, at present, 'Neutral Masses.' But this vast, inchoate unorganised mass of people can never unite and act until their minds are cleared of 'myth.'

The dispelling of 'myth' is indeed the first necessity for a genuine social reformation. A most urgent duty in this respect is to destroy 'myth' history. Benjamin Disraeli, in his novel "Sybil, or the Two Nations" wrote:—

If the history of England be ever written by one who has the knowledge and the courage, and both qualities are equally necessary for the

undertaking, the world would be . . . . astonished . . . . Generally speaking, all the great events have been distorted, most of the important causes concealed, and some of the principal characters never appear, and all who figure are so misunderstood and misrepresented that the result is a complete mystification.

False history is part and parcel of false education in general, and this will have to be exposed and attacked by every possible means. False education is the 'objective' of a vast system of 'Negative Lying' and other devices (e.g. the inferred lie) to obscure the truth, and in this system the builders of the new order will find their most dangerous and most tenacious foe.

An exposure of the principal 'myths' is undoubtedly the first step in the preparing and mobilising of public opinion; but in this task it is unlikely that the usual means of publicity will be available.

The mobilised opinion should then aim at making an effective demand through the legislature, but, as things stand at the moment, there is no suitable means of implementing a demand in parliament largely because of the nature of the party system.

By this and other methods of political jobbery representative government has degenerated, which is partly the cause of the present apathy amongst the electorate. This is not surprising, but it has become a menace which will have to be dispelled at all costs, unless popular government is to perish.

Much could be done to make an effective demand if some degree of unity were to be attained as to the desired 'objectives' of the social mechanisms. There is already a large majority of people who sense the wrongs of the present order, but who have no clear conception for action, and neither have they any common meeting ground. They must clarify their minds and unite with the least possible delay. Time is short and there are three imminent dangers to be faced.

The first is an aspect of the prevailing political apathy. It is the widespread tendency to accept the view that some kind of socialism is inevitable and that, after all, things might be worse. In the background of people's minds is the idea of a socialist Russia. It cannot be too strongly stated that if the English speaking peoples permit the setting up of a government supposed to be operating on socialist "principles" they will quickly find themselves the

victims of a State tyranny;\* and bad as dyed-in-the-wool Conservatives may be, the most reactionary leaders are demagogues who represent political abstractions.

The second imminent danger lies in the possibility of a total collapse of the entire social fabric—and probably a world collapse.

To understand how this is likely to come about, we must remember how financial pressure operates. To take the case of Great Britain. Here the internal situation is ominous. The normal peacetime economic structure was forcibly changed into one designed for total war; but how are we to revert to the normal order?

The real source of the trouble, however, is the debt situation. The war expenditure, so vital and so enormous, dominates the picture. From 1939-1944 the total thus spent was some £24,000 million, of which the financial deficit amounted to nearly £12,500 million. And of course the total national debt by then amounted to £20,000 million. In 1946 it was about £24,000 million.

This monstrous indebtedness has both internal and external repercussions. The external situation is something like this. For several years before the present war the British net imports *exceeded* the net exports by £388 million per annum. The deficit was made up as follows: shipping and financial sources produced £145 million, while the usurers' share by way of interest and dividends on foreign investments made up £203 million, leaving an adverse balance of £40 million. (Figures quoted from "Money" by Cole—Pub. Cassell 1944.)

What this meant is clear. The none too satisfactory standard of living of the people of Britain was then only possible by the financial exploitation of the foreigner.

Now before the 1939 war the U.S.A. financiers were well on the way to world power. They then possessed about one half of the total world's gold currency reserves; and were busily engaged in supplanting their London rivals.

The situation now (1946) is that Great Britain has not only lost all her foreign investments but has moved to the other side of the balance sheet and is now a debtor country, since her government owes over £3,000 million chiefly to the Dominions, India and the Argentine.

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\* Written long before the Socialist Government took office.



Now that the war has ended, these creditors will no doubt demand repayment and in fact at the Bretton Woods Conference, the Chairman of the Indian delegation, Sir A. Jeremy Raisman, described as an Englishman, is reported as having demanded the liberation of the Indian credit and its conversion into dollars! So much for brotherly love within the Empire.

In face of these financial adversities the economic problem in Britain is gloomy indeed. There are three choices under debt money—(1) she may cut down her imports to balance exports and so *lower* the standard of living, (2) increase her exports from, according to Mr. Cole, £478 million, before the war to £1,000 million! (3) borrow "money" from the U.S.A.

Procedure No. 1 would create a first-class political and economic crisis not only within Britain but within all countries whose economy was largely dependent on British purchases. Procedure No. 2 would precipitate an equally disastrous trade war with the U.S.A. and her satellites—chiefly South America—with certain victory to the Americas. Procedure No. 3 would put the British Empire in pawn to the U.S.A. bankers, even if the loan were interest free.

The situation in brief is this. 'Usury' is now exacting its final toll. The great and growing instability in world economics makes any hope of an orderly post-war development impossible. It is significant that at the Bretton Woods Conference no mention whatever was made of these pressing and basic problems. Instead, the delegates discussed what ought to be done, not about *getting* financial stability, but merely about *keeping* it.

Needless to say the Conference decided nothing: but one thing of vital importance did turn out of it. The Russian government agreed at last to join up with the international financiers and to play the game of international trade according to the bankers' rules for international lending.

The post-war situation, therefore, would seem to be working out as follows. Russia, the champion of anti-capitalism, has now entered the lists as the arch-capitalist. The international bankers, who care less than nothing for economic conferences, are planning and plotting ultimately to put world trade back on a gold basis. They have in fact intimated this intention, and their plan seems simplicity itself.

We hear of inflation and deflation; but all good bankers are deflationists. What it means is this. The pressure of economic or political events forces them to expand until the pressure of financial events forces them to contract. Then they deflate. In other words, deflation means that the bankers have retained the initiative. They destroy money.

Inflation means that the banker has temporarily lost the initiative. War is usually responsible for this, since the banker must create all the money industry requires.

Should he lose initiative entirely, the economic forces are uncontrollable and inflation then proceeds to infinity. Then it is the *people* who destroy money; but the end is the same—poverty and disaster for them.

As events are now moving, therefore, the bankers realise (a) that inflation is inevitable and growing, (b) that it may get out of hand, (c) that deflation is financially preferable. Whichever way, a world wide economic disaster seems certain; and then the people everywhere will face the third and greatest danger, which is that of the bankers starting up the 'negative money' system all over again.

My own view is that the international financiers will act in concert to destroy as much debt as possible by a vast world deflation, when they will endeavour to shackle money everywhere to gold and to enforce any restrictions—political, economic or national—which they deem necessary.

To combat these menaces is a most urgent task for those who are able to perceive the trend of events.

I believe that effective and timely opposition to the present system is only possible to the English speaking races and most likely to the British people. I regard the Americans as handicapped by the possession of nearly all the world's gold reserves, by their remarkable tendency to idealism, by the nature of their financial oligarchy, and by the temporary commercial success which is meantime theirs.

Of course, a change to 'Free Money' would not be feasible to Great Britain alone; but the inclusion of the Dominions, the Colonies and India, would make it quite possible. Such a scheme would free their peoples from debt and would permit of a great increase in both population and productive powers in Canada, New Zealand and Australia.

At first sight it might seem a selfish policy for the British Commonwealth to operate an exclusive financial and economic mechanism; but this would not be so.

Such an arrangement under 'Free Money' would firstly permit the whole of the British governed people to exploit their resources for their mutual benefit in a way impossible under a debt technique. In this respect the world at large would benefit. It would then be impossible for the London financiers to oppress financially or exploit economically any other nations, whether within or without the empire. It would, moreover, not debar other countries from mutual trading with Britain.

In short, reform at home is the only possible way, because instead of imposing a policy upon others by force, it presents a new system for the consideration of others.

If Britain and U.S.A. were mutually to operate a 'Free Money' system, then world problems would be solved without threat to any nation, and enormous creative power would be liberated over the whole earth. There is no doubt but that all other nations would quickly adopt the new order because of its palpable advantages; and the materially backward races would be greatly helped.

I believe that a change to "Free Money" is vitally necessary to India, otherwise it will be swept into the ambit of industrial and international strife, with the consequent centralisation of power and the final destruction of all that India has stood for during long centuries.

There are therefore two problems in that great and unhappy country. One is the abolition of its fearful poverty; the other is conservation of India's specific, and, as I believe invaluable contribution to the world's commonweal.

The problem of Indian poverty, like the same problem elsewhere, is mainly a debt problem. Here, however, the debt is not so much a communal one to a central bank—though that does exist and is increasing—as individual debt on the part of millions of humble people to individual moneylenders.

Here is the situation. On March 1944 the public debt of the Central Government amounted to £841.7 million in India and £50.6 million in England, i.e. a total of £892.3 million. The public debt of the Provincial governments amounted to £128.8—a total Indian public debt, therefore, of £1,021 million. In 1940 this total was £815.3 million; but £329.3 million of it represented that

portion due to England. The war situation therefore enabled India to liquidate the most of its external indebtedness; but in the intervening four years the internal debt had increased from £379.1 million to £841.7 million, i.e. by £462.6 million.

As to the enormous indebtedness incurred outwith the Indian banking system, no accurate estimate is possible but semi-official estimates of the peasant (agrarian) indebtedness have been given as follows:—

1911 . . . . .	£225 million
1922 . . . . .	£450
1930 . . . . .	£675
1937 . . . . .	£1350

What this agrarian debt means can be estimated from the fact that it is more than the total annual value of India's agricultural production, and many times more than the total land revenue. Not only is a chronic state of insolvency the normal condition of the majority of Indian peasants but a pernicious system of indebtedness of peasants to landowners has virtually reduced large numbers of whole families to perpetual serfdom.

It is worth noting, also, how important a part the debt system plays in fomenting so-called religious animosities. It appears that in the industrial areas the Hindu workers are oppressed by Muslim moneylenders, while in many non-Hindu areas the situation is reversed!

Furthermore, to gain some idea of what the total Indian debt means we must remember that interest and capital repayment have to be met by a population whose average per capita income is in the region of £4 16 0 per year, or £24 per family of five.

Englishmen generally regard the private indebtedness of the population as an Indian made problem; but this is by no means the case. Here it is not possible to go into the facts; but there can be no doubt that the English legislation, at the time of the "permanent settlement" in Bengal, under the Governor-Generalship of Lord Cornwallis in 1793, was the means of breaking up the old peasant communal land tenure in favour of the new landlords, and, finally, of the moneylenders. The debt problem in India is therefore essentially a British problem, and its speedy solution is important not only to India but to the world at large.

The future of Britain, as Lord Curzon predicted, is bound up

with the welfare of India, not because of a mere economic necessity, but because of the out workings of destiny.

The misleading habit of looking at maps of Europe has created a destructive 'myth.' If a world map is viewed, the situation is seen in better perspective. Europe then appears as an appendage of Asia. It is, moreover, a racial and cultural development of Asia, whose purest tradition is in India; and to a revitalised and regenerated India, her people conscious of their glorious past, and wielding the mighty powers of the spirit, we Europeans must return. It is the destiny of Great Britain to lead this pilgrimage. In this we shall be suppliants for that wisdom we so sorely need. This is our national Nivritti Marga—our Path of Returning.

## *Chapter Thirty-two*

### THE PATH OF RETURNING.

The first and basic reform as a political measure is to re-design the financial mechanism towards its correct 'objective'; yet this will only constitute the first step towards regeneration, which means the creation of the 'natural' as opposed to the present 'inverted order of society'!

In the 'natural order' religion overtops and dominates all, not by force or through skilful organisation, but by infiltrating every element of the social machinery and hence providing the matrix in which society inheres. But how is it proposed to place religion at the apex of society?

Now it should be remembered that religion is first and foremost a personal and interior relationship of the individual; and no organised religion is of any value unless its devotees have established this relationship.

Personal religion, therefore, is not conditioned by organisations or by intellectual beliefs. It is an orientation of the man to the life of the spirit, which thereby conditions his attitude to the external world. In this, his focus of consciousness is chiefly 'supra-mental,' and he is therefore in the world but not of it. It is a mistake to imagine that such a focus denotes other-worldliness, or mental or emotional nebulosity, and that such a man is incompetent to deal with mundane affairs. He is in fact the only kind of man who can deal properly with such affairs because his attitude towards them is that of the fully integrated individual. His judgment is sound and his direction correct because his personality no longer obtrudes its petty desires and needs upon him.

Now religion in this personal and interior sense has been almost extinguished in Europe. Only in Russia did it survive to any extent and there, surprising as it may appear, it not only survives still but grows.\* It is something which is forged under the pressure of suffering and sacrifice, and its disappearance in any country is in direct proportion to that pseudo-prosperity which is the concomitant of debt money and 'usury.' It is precisely in those Protestant countries, which have "the highest standard of living" along with the largest debts, that irreligion flourishes like a noxious weed.

It is an attribute of human nature that stimulus is a function of contrast or variation. The same stimulus continually applied fails to produce a proper reaction, and it is for this reason that the awful lack of spirituality passes unnoticed in countries like Britain and America. So deep is the prevailing ignorance on these matters that their very existence has been almost erased from men's minds. To utter the name of God in English society except by way of an oath would be regarded as inexcusable. The 'Supra-Mental' faculties are like all others in that they atrophy if not exercised. Indeed, unless the proper technique is employed to awaken the 'apprehension' it remains undeveloped and rudimentary.

It is the dormancy of this superior faculty which has caused western religions to decline for want of true 'knowledge.' It is thus that a mind-created substitute has usurped the rôle of the spirit and led men into a false world of abstractions.

It was in this way, for example, that the western church classified sins into the seven-fold categories of anger, envy, avarice, pride, sloth, gluttony and lust. A less dangerous and more useful way would have been to classify sins as those of the body, emotions and mind.

Realistically considered, these parts of man are simply mechanisms and correct living means the correct use of these mechanisms with respect to their nature and limitations, i.e. their 'objectives.'

It is significant that formal Christianity has put such enormous stress on the sins of the body and emotions, as opposed to the intellection. So deep-seated is this that the very word sin immediately calls forth the idea of sexual misconduct.

Yet the greatest sins are in the faulty use of the mental mechanism, by which are created 'myth' and superstition. This word has been

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\* Not, of course, through the new State controlled church.

surprisingly debased in Protestant countries. It calls forth the idea of idol-worship and heathen practices; but in fact superstition means irrational belief and in this correct sense a Catholic who signs himself is less irrational than a Presbyterian who puffs perfumed fluids about a room to keep away supposed germs. Superstition in truth is one of the greatest curses of the human race, because it fosters every absurdity and cruelty in the supposed cause of reason. The sins of the mind, in other words, are deadly to the soul of man and more damning to social activity than all others combined.

Such errors do not derive their sanctions from Christianity, but are Greek. It is high time that the myth of ancient Greece was dispelled. In the introduction to Fisher's "A History of Europe" are these significant words:—

We Europeans are the children of Hellas. Our civilisation, which has its roots in the brilliant city life of the eastern Aegean, has never lost traces of its origin, and stamps us with a character by which we are distinguished from the other great civilisations of the human family . . . .

This is certainly true, but when we scrutinize our vaunted civilisation in this year 1946, we might properly ask what the Hellenic heritage is worth. It should be remembered that the Greece of the romanticists was the Hellas of 500 years before Christ. But this represented the fruition of a long civilisation going back for several thousand years, and interpenetrating therefore with Persian, Egyptian, Indian, Minoan, Assyrian, and other cultures. There is no doubt that the 'myth' of Greece originated in those paltry and truncated conceptions of geography and ethnology which were held in the so-called Dark Ages of Europe. As the men of those days looked into the vista of the past, all they could see was the Mediterranean littoral illuminated by the "glory that was Greece and the grandeur that was Rome." Outside this was impenetrable darkness. To these old Europeans, the glory that was Egypt, or India, or China, did not exist. But Greece was another matter and to her they looked for what little they knew of art, knowledge, philosophy, and, almost, of religion.

But when we examine this situation we are astonished to find how distorted and how exaggerated these suppositions and claims are. There is a "famous book" which "re-creates the Greek civilisation" for us in the form of a popular work called "The Greek View of Life" (by G. Lowes Dickinson—published by Methuen & Co., 1941). In this are presented views on religion, on the State, on the individual, and on art.



As for the Greek view of religion, we are told that it did not consist of a set of doctrines, or of a formulated creed, nor did it have an organisation distinct from the State. It was, in short, the worship of Zeus, Apollo, Athene and the rest, and we are told that the mythology connected with these gods, which we modern Europeans regard as a collection of fables, was to the Greeks "actually true." Then follows a description of various forms of animism and totemism—powers of nature personified, gods copulating and reproducing, with hauntings, metamorphoses, fates, sacrifices, divinations, omens, oracles, prayers to the winds, to the messengers of the gods, complete with Eros, Aphrodite and other personifications of sexual passion, Ares, the Furies, and so on.

It is incredible that this conglomeration of ideas should be called a religion at all. When we remember that in India the Vedas were ancient, that the Bhagavad Gita was venerable, and that the Lord Gautama Buddha had delivered his lofty message to mankind when Socrates was in his swaddling clothes, we can dismiss the Greek view of religion as negligible. It is true that there were other aspects of Greek religion (e.g. ceremonial and the mysteries) which were of power and value in their day, but that is another matter. We get a glimpse of truth when we read (p. 62) "that Plato, the deepest thinker of the Greeks, was also among the farthest removed from the popular faith."

The Greek view of the State is then expounded. But this word meant then something quite other than what it means now, as is the case also with the word democracy. The Greek State was the City—"an area about the size of an English county, with a population, perhaps, of some hundred thousand, self-governing and independent of any larger political whole."

In these "States" we find that the majority of the people were sharply divided off into groups. Artisans and labourers were not considered citizens at all and generally had no political rights. They were in fact despised by the little clique which composed the ruling faction of the State. Worse than that, slavery was general and it must never be forgotten that the material wealth and magnificence of the leading Greek "States" were based on slave labour and 'usury.' The idea that these States were democracies in any sense of the word as it is now used, is false. The "citizen" was an aristocrat, and he excluded all the labourers and workers from his life, except in so far as to minister to him. The position of women

was equally deplorable. There were two classes, wives for breeding, and others for amusement, the latter, together with homosexuality, being quite an open and recognised relaxation.

But the most deplorable feature of all is succinctly and correctly described on pp. 87 and 88 thus:—

In every State (in Greece) there was an oligarchic and a democratic faction; and so fierce was the opposition between them that we may almost say that every Greek city was in a chronic state of civil war, having become, as Plato puts it, not one city but two, 'one comprising the rich and the other the poor, who reside together on the same ground and are always plotting against one another.' This internal schism which ran through almost every state came to a head in the great Peloponnesian War which divided Greece at the close of the fifth century (B.C.) and in which Athens and Sparta, the two chief combatants, represented, respectively the democratic and the oligarchic principles. Each appealed to the kindred factions in the states that were opposed to them; and every city was divided against itself . . . . Thus the general Greek conception of the ordered state was so far from being realised in practice that probably at no time in the history of the civilised (!) world has anarchy more complete and cynical prevailed.

When we turn to the Greek view of man as an individual we are not surprised to find the same anarchy and cynicism. We have already noted the attitude to women. They were to breed healthy offspring for the State or provide lusty pleasures for its manhood. Exposure of weakly and deformed children was encouraged by law and the child was to be regarded primarily as a member of the State rather than the family. Plato—if he is correctly reported—so little understood the nature of man and his 'objective' that in his *Republic* he advocated the destruction of the family relation entirely. The relationships between men and women were in fact to be controlled by the State "in respect both of the persons and of the limit of age within which they may associate, but the children as soon as they are born are to be carried off to a common nursery, there to be reared together, undistinguished by the mothers, who will suckle indifferently any infant that might happen to be assigned to them for the purpose."

These are ominous ideas and bear a discouraging resemblance to present trends. That they were not merely idle opinions is certain. Such views for long constituted the working basis of the State of Sparta. Here the male children were examined at birth by a State official and, if not sound, were destroyed. If passed as satisfactory, the government inspectors:

assigned him a farm or estate, tilled by *helots*, and on the produce of this he was to live till he died; he might not sell the farm nor the *helot* serfs; they were not his to sell, they belonged to the state, which would want them for the next Spartan boy born after his death. From childhood the boy was under discipline . . . . he went barefoot, he had but one garment, his food was scanty . . . . but he was allowed to steal food, if he were too hungry . . . . (but) he was well whipped, if he was caught . . . . there was endless drill for them (the boys) . . . . hunting) game, and . . . . killing helots at the order of the magistrates. Men and women did not eat together . . . . the nastiness of the food became almost a national boast. All were regulated by the law and controlled!by the magistrates; nowhere, men said, were men more obedient to authority than in Sparta.

(Quoted from Glover's "The Ancient World," Chapt. vi., Section F.)

So much for the Greeks as politicians. But what about their achievements in art and philosophy? We can dismiss the popular views about them as largely 'myth'; but a long lineage of classical scholars and experts has never ceased to extol the Hellenic excellence in these realms. Indeed, no more uncritical adulation can be found than has been addressed to the Greeks.

The status of Greek art is not fully relevant to our present purpose, so I shall dismiss it by saying that it no longer commands unqualified commendation, that it was inferior to Egyptian art and that the sublime achievements of oriental art, almost unknown until recently, have greatly diluted the value of the Greek.

It is in philosophy, however, that this uncritical attitude finds fullest expression. The great Jowett said "the germs of all ideas, even of most Christian ones, are to be found in Plato." Terrier, the celebrated Scottish metaphysician of last century, remarked "All philosophic truth is Plato rightly divined; all philosophic error is Plato misunderstood." Jacques Maritain in "An Introduction to Philosophy" (Sheed & Ward 1930) dismisses all the oriental thinkers in a few pages entitled "Pre-Philosophic Thought!" He says:—

How highly therefore ought we to prize the sacred (!) heritage of Greek thought! In *Greece*, alone in the ancient world, the wisdom, of man found the right path . . . . and human reason attained its full vigour and maturity. In consequence, the small Hellenic race appears among the great Empires of the East like a man amidst gigantic children and may be truly termed the organ of the reason and word of man . . . . It was in Greece alone that philosophy achieved her autonomy and was explicitly distinguished from religion.

Then, later on, we are told that Plato was evidently not so excellent as Jowett and Ferrier imagined. According to Maritain: —

From this point of view it may be said that Platonism is false, if regarded *in esse* as a fully developed system . . . . To extract the truth latent in platonism was the mighty reform effected by *Aristotle*. Aristotle successfully took to pieces Plato's system . . . . and thus saved everything vital in his master's thought. He did more; he founded for all time the true philosophy . . . . and he definitely secured the attainment of reality by the human intellect.

Maritain, however, claims that "all truth belongs of right to Christian thought, as the spoils of the Egyptians to the Hebrews." Let us draw a veil over these self-evident aberrations of opinion, and consider the *influence* of Greek philosophy, especially that of Aristotle. Did these altitudinal achievements of ratiocination produce anything whatever in Greek polity or government which commands our admiration? Do they reflect themselves in the subsequent 2,000 years of European history? They certainly and unquestioning do, and here at last I shall align myself with our historians and Hellenists.

When we review these evidences from the past we have no difficulty in accepting the present Europe as Hellenic. It shows most powerfully and disastrously in that mode of approach to events which has produced our modern political ideologies and which has rendered ineffective any attempt to control the affairs of society; and its philosophic lineage is through Plato to Hegel and Marx.

It shows in the philosophic and religious anarchy in which we Europeans have been so long immersed. Its logical outcome is the deified State, with the conception of man as a being subordinated to a mythic whole, and a society torn into irreconcilable factions, the enslaved mob ruled by a selfish oligarchy, and the whole convulsed by dissension and war.

When we further remember the rôle of 'usury' in the Greek States, and their deplorable history, identical in almost every respect to that of Europe, we ask whether it is not time that we abandoned Greece to the Hellenists and turned our gaze elsewhere.

Fisher's history asserts that we Europeans are stamped "with a character by which we are distinguished from the other great civilisations of the human family."

Such is this character that present events constitute an unsolicited testimonial to it, and the great civilisations of Asia are desperately hoping to rid themselves of several of its major distinctions.

When we look around the world of the past 5,000 years to enquire what civilisations have persisted and what they have to teach us,

we find in India and China, but above all in India, something worthy of profound consideration. This will no doubt surprise most readers, but it is worth while pointing out the lamentable distortions of truth for which the Christian Church and a finance-ridden publicity share responsibility. It has been the custom in English speaking countries during the past century or more to portray tendentious pictures of the East for purposes of missionary propaganda and public amusement. As for the former, it portrayed the Hindus as heathen, worshipping positively millions of false gods, with debasing and cruel practices, and as a people devoid of the slightest ideas of sanitation, cleanliness or order. As for China, it was apparently an even cruder land of terror and torture.

On the publicity side things were equally bad. In order to satisfy the financial needs of impresarios and producers and ground landlords, the Orient has been exploited for years. In plays, operas and novels the East has been the background for sexuality and vulgar sensation. It is worth noting that the many oriental protests against this exploitation, so repugnant to Asiatic sensibilities, have been swept away with contempt. Even the Japanese Government's official protests against them were ignored.

Here again, then, we meet with the difficulties which result from 'myth.' Europeans, but above all the English speaking races, have such an erroneous and ingrained conception of everything Asiatic, that nothing short of a social cataclysm will alter it. That cataclysm is upon us now. Without wishing to gloss the iniquities of imperialistic Japan, this much at least can be said. A just and equitable world can never exist so long as the white races continue in their attitude of condescension towards everything oriental.

There is one aspect of this condescension however, which deserves special mention, since it bears especially on the problem of the future. It is the intolerant assumption of religious superiority and exclusiveness which are peculiar to Christianity among the world religions. This attitude has its origin in conceptions which have no perceptible basis in the life and person of Jesus Christ. The matter was perfectly expressed as long ago as 1896 by that great warrior in the cause of human brotherhood, Mrs. Annie Besant, who addressed a Hindu audience in these words:—

Christianity alone among the religions of the world claims to be unique; every other religion claims authority over its own adherents, and stands as it were on its own ground, admitting the value of other religions and holding towards them, as a rule, a position of benevolent neutrality,

not of active opposition. But with regard to Christianity this is not the case. Christianity claims to be the one revelation, the unique voice of God to man. It permits no rivals on its platform; it admits no brothers into its household; it claims to Stand by itself, alone, unapproachable, classing together all the other religions of the world as mistaken, sometimes under the contemptuous name of Heathen, sometimes rather more courteously but still in the same exclusive spirit. The Christian propagandist insists on the supreme value of his own faith, and the small value of others; . . . . very often accompanied by insult and outrage as regards the elder religions . . . . .

This attitude is still, though to a commendably lesser degree, that of Christians to all other faiths, and it is the unbending official attitude of the Church. It would not be opportune to go into this question at any length here. Suffice it to say that such a view of religion is a distorted and mind-ridden view. Men have probably existed on the earth for two million years. Are we to suppose that until two thousand years ago humanity was bereft of the true spiritual light and guidance?

Those who adhere to the prevailing Christian conception do so because they are unable to regard other religious faiths except from the peripheral-intellectual view. Could they but see them from the central-intuitional aspect, they would realise that unity in which all true religion inheres and from which it proceeds. The peripheral view is that of the mind and shows the differences which separate. The central view is intuitive and synthetic and shows the identities which unite.

In spite of the vast literature, both religious and philosophical, in which the East abounds, it is almost a closed book to Europeans. Even amongst the learned and cultured it is the exception to find any knowledge of Oriental thought, religion, or art. This is a deplorable situation which ought to be remedied without delay. And here we must acknowledge with gratitude the pioneer work of those Europeans who gave us the first insight into the riches of Sanskrit, Pali and Chinese literature.

Indeed it is not too much to say that a virtual regeneration of the East was in no small measure due to these Orientalists and to the labours of the early Theosophists, who revived to Hindus and Buddhists alike the glories of their heritage.

It is true that many young Indians have so little understood this that, overawed by the material dominance of Europe, they have become westernized in the worst features of European politics, economics, and unbelief. These young men embrace an occidental

admixture of agnosticism and "left" politics, which they then endeavour to inculcate amongst their fellow Indians.

Such renegade Orientals do a great disservice to the cause of human unity and brotherhood, and are not true sons of Asia but apostates thrown out by the exigencies of political and especially economic events.

Here, however, I must interpolate an explanation. Having spent much energy on the destruction of 'myth' it would ill befit me to lead my readers into an Indian 'myth.' I am under no illusions as to the geographical polyglot area called India. I am not for moment contending that all is well and wonderful in that vast sub-continent, or that it is the repository of some mystic panacea for human ills.

Let us admit the evils at once. Let us allow that superstition abounds, that filth and disease are endemic, that popular religion is seriously tainted, that a predatory priesthood exists, and with it still the regrettable temple prostitution, that child marriage, indecent treatment of widows, female seclusion, quite absurd caste customs, and the horrible exclusion of outcasts, are all evident.

What then? Is this the country to which we Europeans must turn? By no means; but there is another 'India' to which I refer. This 'India' is not easy to describe, yet it exists. It is not readily accessible to Europeans, many of whom never find it after years of sojourn in that country. It is something—a compendium of philosophy, of religion, of hoary custom, and, in general, a specific orientation to life—which is the very marrow of Hinduism.

It is something precise and precious which strikes through the gamut of the religious literature. It is in the Codes of Manu, in the Vedas, the Upanishads, in the systems of Hindu philosophy, and, above all, in the Bhagavad Gita. It illumines the long line of Indian saints, seers, and teachers. It blazed forth in superhuman splendour in the person of the Buddha and in the lives of his enlightened followers.

Within recent historical times this light has manifested in a wonderful array of public figures . . . . Raja Rammohun Roy, social reformer and founder of Brahma Samaj; Tilak, the nationalist; the Tagore family; G. K. Gokale, founder of the "Servant of India Society"; Bose, the scientist; Swami Vivekananda; Aurobindo Ghose; Gandhi, the politician-saint; Rajagopalachari, his colleague; Krishnamurti, the teacher; Sadhu Sundar Singh, Christian convert

and seer; Radhakrishnan, the link between East and West; and Pandita Ramabai, philanthropist and champion of Indian women. To crown the social pyramid with religion we must needs learn the lesson of this 'India.' It is not to say that we should embrace the Hindu religion; but it means that we must there rediscover the secret of religion as the matrix of society. It is still in India that the true direction is to be found; for of all the countries in the world she is pre-eminently the guardian of spirituality. It is the country wherein the highest in the land is still he who is lowest—the holy man who has abandoned all in his search for God.

It is in India that the veil which shrouds the seen from the unseen is thinnest. It was in this land that the Buddha Gautama was born, lived and died, that Shri Krishna drew the hearts of men; and that a splendid array of the greatest spiritual Teachers have laboured through untold centuries. Moreover, when we dig deep into the past to uncover the history of these, our Aryan progenitors, we find the Codes of Manu to guide nearly every relationship of men. We would do well to study these teachings and apply them as far as practicable to our Western society.

There was published in London during the first World War a remarkable little book on Hinduism by Harendranath Maitra (Palmer and Hayward, London). Here is what the author says on these matters: —

To understand India, we must realise in the first place that the key is religion, for the East is the Mother of Religions, and India is the heart of the East. From her altar fires, sacredly kept and never allowed to die out through all the centuries, the flame of spirituality has been kindled in every other land. Hinduism is the one religion which has never persecuted other faiths . . . . the religious ideal of the Land of Bharat pours itself into the very life of the nation, permeating every atom of her existence, making life and religion one, as they are in no other nation on the face of the globe. The unity of India is the unity of a Oneness-of-Spiritual-Vision. From Kcdarnath in the north to Rameshwar in the south, from Dwarka in the west to Puri in the east, pilgrims of all classes and all faiths meet from every part of India . . . . All are one before God . . . . Material and intellectual progress has been the goal of Western civilisation often at the expense of the ethical and spiritual. The West is not and never has been Christian. The keynote of Western Civilisation is egotism. The intellect has been used for the aggrandizement of material power rather than the furtherance of spiritual life.

The author then quotes Okakura Kakuzo, the poet-philosopher of Japan, "Asia is one. Love for the Ultimate and the Universal is the common thought-inheritance of every Asiatic race, enabling



them to produce all the great religions of the world “distinguishing them from the peoples of Europe who love to dwell on the Particular, and to search out the means, not the end, of life.”

He gives the justly great dictum of Max Müller, that orientalist who devoted his life to the wisdom of the East (p. 6):—

If I were to look over the whole world to find out the country most richly endowed with all the wealth, power and beauty that nature can bestow—in some parts a very paradise on earth—I should point to India. If I were asked under what sky the human mind has most fully developed some of the choicest gifts, has most deeply pondered on the greatest problems of life, and has found solutions of some of them which well deserve the attention even of those who have studied Plato and Kant; I should point to India. And if I were to ask myself from what literature we here in Europe; we who have been nurtured almost exclusively on the thoughts of Greeks and Romans, and of one Semitic race, the Jewish, may draw that corrective which is most wanted in order to make our inner life more perfect, more comprehensive, more universal, in fact more truly human, a life not for this life only, but a transfigured and eternal life—again I should point to India.

It is therefore not surprising to find that in India the need for 'Contemplative Leisure' is not only recognised but practically incorporated in the social structure, and there also the real nature of man is comprehended. It is painfully true that there are also deplorable evils in that country, but investigation will prove how much of this is due to the terrible poverty of the masses. The destruction of the Indian debt system is the first and all-important step in the redemption of the Indian people from poverty and servitude, a redemption which could easily be achieved by a financially regenerate Britain. In exchange is equally needed the spiritual power and wisdom of the East for the regeneration of Europe and America; and this indeed is the only basis for a world order in which economic exploitation, and racial and religious exclusiveness will have been expunged.

It is only within the structure of the 'Natural Order of Society' that men will achieve that deeply desired consummation without which their grandest schemes will come to naught—a long and fruitful period of international and social peace.

## *Chapter Thirty-three*

### THE SHARP QUESTIONS.

#### A SUMMARY OF THE MAIN THESES FOR THE CONVENIENCE OF THE READER.

It is impossible to assess events accurately whilst we are in the midst of them; but it is clear now that in 1914 the curtain rose on an international tragedy, whose most fateful act opened in 1939, and we can be sure that this is not the conclusion of the drama, though it may well be the penultimate act.

Of course there is a childlike human tendency to take an apocalyptic view of such tremendous events. Nevertheless the well-nigh universal intuition of mankind that the tragedy we now witness is the death agony of an age whose travail heralds a new and better order of society is probably correct. But this new order will not arise without right effort. It will only arise when social problems are approached by the scientific method, which alone gives control over events.

In the first chapter of this book were enunciated four questions, the correct answers to which are necessary if society is to be regenerated. By way of a convenient summary, let us now attempt to answer them.

1. *What is the nature and source of that secret power which now dominates society?*

The true and secret source of this power lies firstly and all the time in "avidya," or unreality. 'Reality' is, as it were, "vidya" or 'Knowledge.' In so far as 'reality' is not grasped, there hence exists unreality, 'myth,' illusion, nescience, which is the fount and origin of all disorder.

In regard to social problems, the greatest nescience concerns the rôle and nature of mechanisms. There is no possibility of a correct perspective in individual or social life until we realise that all action whether individual or social, is limited by the interposition of mechanisms, physiological, psychological, or corporate; and that we cannot use a mechanism properly until we know what it does and how it does it. But of all the mechanisms men use, there is one whose importance and difficulty of operation far transcends all others. It is that of the mind.

Because of our failure to understand it, our European civilisation is a mind-ridden one. We have assumed that the highest function of man is the use of the intellect, that truth in its wholeness can be discovered thereby and is therefore susceptible to verbal description and objective proof. An acquaintance with the processes of mentation however shows that the mind is regularly insufficient for the discovery of truth, and if wrongly used it leads away from truth (or 'reality' as I prefer to call it).

The mind, in short, wrongly used is the great producer of illusion and the slayer of 'reality.' This it accomplishes chiefly by a form of abstractionism, by which tyranny of words men reason themselves farther and farther from truth.

A most calamitous variety of this faulty reasoning and the cause of man's inability to correct many of his difficulties, is the Hellenic-Deductive or nescientic approach leading to the 'myth of action,' which error vitiates almost all social legislation. While it is inherent in human nature, its historical sanction derives from Hellas and is perpetuated in the Greek heritage which still dominates European religion and culture.

Man's inability to understand the nature of his social problems is also due to ignorance of the 'philosophy of mechanism.' We have seen that the affairs of society are conducted through the intermediary of seven great social mechanisms. But since men use them without realising their 'objectives,' they therefore serve unknown ends.

Thus men find themselves in a corporate capacity doing or acquiescing in things which no individual would do or tolerate. They think that social errors and injustices are due to the "badness" of men, and that these could be corrected by the substitution of an equally abstract "goodness"; whereas in fact our social

mechanisms would accomplish the same ends no matter what the abstract qualities of those who operated them.

It will be apparent therefore why the secret source of power is not to be found in any particular organisation or in the minds of a few super-men; and why humanity is not ruled from any central focus by Jews, Jesuits, Freemasons, or bankers, or by any political ideology whether of left, right or centre.

It is true that of all organisations, those of centralised finance come nearest to the source of power; but in the last analysis men empower the bankers and the State by reason of self-generated illusion.

As we trace the secret power of society from its source in nescience, we observe that historic initial defection from 'reality' when men transferred their conceptions of wealth from real things to money, thus preparing the way for the usurer and his eternal lie that money makes money.

The technique of 'usury' has varied widely down the centuries of its long existence but its character is forever the same and is indelibly stamped upon European civilisation. Money cannot make money; and money interest has no existence, no reality, until men confer reality on the negative arithmetic of the moneylenders and hence permit the growth of a self-cumulative and irredeemable debt.

Because men have hitherto employed the nescientic approach, they have never realised the true nature of 'usury'; because of the 'myth of action' they have never been able to defeat it.

The nature of 'usury' is such that it is forever unworkable. It is unworkable because one can neither abrogate the laws of nature nor create anything out of nothing. Money interest is a mirage of the economic desert which lures men to die of want in a world of plenty.

In 'usury' therefore lies the proximate source of centralised power, for as soon as the fictitious figures of debt are taken for reality, the debtors are enslaved. They become, in literal truth, bondsmen. The money mechanism then exerts an irresistible unilateral pressure as the price of its very existence. This pressure vests firstly in the inability to obtain goods except by a liquidating monetary equivalent. It operates via the 'financial filter' which automatically ensures that no person and no organisation can arrive at pre-eminence or power unless serving the cause of the debt-mongers.

Thus the reins of power are held by the financial oligarchy which infiltrates all social mechanisms and so exerts absolute dominance over them. The power of debt is enormous and today surpasses every other power. Its sovereignty is the price of man's individual sovereignty and its throne is that of mammon, the destroyer of true religion and of human liberty.

The power of debt, being generated by illusion, can only be sustained by illusion. But as the debt increases, its power likewise increases, until society disrupts under the stress, and so arises the necessity for force to keep the money mechanism in being. Yet even force has its origin in 'myth' for only thus could men perpetuate and justify their cruelties and injustices. Under the diabolic sway of 'myth,' and particularly political ideological 'myth,' arose the barbarities of Russian communism, Japanese and every other racial imperialism, Italian fascism, and the blood and soil religion of Nazism.

To sustain illusion the money system finally pervades and subverts both education and religion, and this it does by the filtration of all who operate these mechanisms. The technique in education is by the inculcation of false history, and a false orientation to events in general, whereby 'reality' is obscured by the use of abstractions and the errors of nescientism.

In religion a like technique operates through the sanction of every mind-ridden device which obscures 'reality' by substitution of belief and speculation for 'knowledge.'

In the economic realm, centralised debt is the cause of industrial frictions and futilities. It is the generator of the trade cycle, whose alternate booms and slumps increase in amplitude until the economic fabric is shattered.

In the international realm, centralised debt is the instigator of war, since the creditor nations can only sustain themselves by incessant expansion, at the cost firstly of their debtors and finally of their rival creditors.

Centralised power is applied through the mechanism of Sanctions and Administration. The Administration applies it by means of licences, registration, and permits, under the eyes of omnipotent officials. Those in power are sustained by committee rule with its anonymity and evasion of personal responsibility, and by the use of the 'negative lie' via 'propaganda education.'

As the "State" is bound to act more and more in the interests of the debt-mongers, there thus develops the 'historical cleavage' whereby the nation proper, whose members are made the catspaws of the system, becomes separated from those who wield power in its name.

In this way is evolved that Frankenstein of modern times—the omnipotent state—which claims unqualified sovereignty over its citizens and sustains itself by the use of force. Men are aware that they are being compelled in every realm to act in ways repugnant to them as individuals and to connive at corporate abuses; but since they are unable to understand their social machinery they are ignorant of the source and the nature of the power which dominates them. It is the compulsion of this hidden power which causes the universal sense of frustration. It is the lack of a truly scientific method which renders men powerless to deal effectively with their own society.

An understanding of the nature of this secret force shows that the defects in society are not simply due to "evil" men. The silence of the clergy, the impotence of teachers, the ineptitude of politicians, the tyranny of the civil and military services, the chicanery and subterfuge of industry and business, and even the foolishness of the bankers, are in large measure the inescapable consequences of the financial overlordship, whose sovereignty and rule are still un-perceived.

The price of this sovereignty is the complete inversion of society. This is seen essentially in the prime paradox of 'Negative Money' that

(a) A community can only prosper economically in so far as it gets deeper and deeper into debt.

(b) Any effort to repay that debt. i.e. any effort at financial solvency, means economic ruin, which situations are clearly the inversion of common sense.

This inversion strikes through the whole gamut of social life— inversion of industry whereby the basic industries suffer the worst conditions, are worst paid, are chronically insolvent, and now cannot get recruits to man them; inversion of the Administration, wherein the citizen's servants now rule him with an iron rod; inversion of Sanctions wherein the people make and man the weapons with which to subjugate themselves; inversion of politics to the

destruction of society and human freedom; inversion of both education and religion, to deprive man of 'reality.'

## 2. *Can social events be controlled?*

A study of living phenomena shows that they have no simple causes, but manifest as sequences of events within the causal nexus.

In human society, events result from the reaction of individual men to the pressure of environment. When this sequence proceeds normally without misguided external interference (e.g. arbitrary legislative or other such) a stable society ensues. It may or may not be static; but it is stable because it has evolved by reason of the forces inherent in it. Such a society is the product of a natural growth or flowering from within.

Modern society is no longer the product of such a growth, because it has been deranged by economic, financial and legislative interference, applied according to the Hellenic-deductive technique, by which events are directed to arbitrary ends, without respect to the factors and forces involved.

In biological processes such arbitrary direction is worthless. Control can only be exercised either by suitably altering the environment, or by altering the response of the organism to stimulus, at all times maintaining the proper balance between the two. Since man is the organism and society the chief part of his environment the essential science for the control of society is that of human ecology.

This leads to that subsidiary but important question as stated in the introduction, viz., does the solution of our difficulties call for a new society or for new men? Note that the dilemma as stated implies that there is only one answer, i.e, either new men *or* new society. Its resolution is important since religious people are confident that no new society is possible until firstly we have "new men." The apotheosis of this doctrine is seen in the writings of the Buchmanites, with their plea for "moral rearmament," whatever that may mean. The truth is that the dilemma is a dialectic artefact.

Ecologically the answer is this. In the creation of a new social order it is the business of the social scientists to evolve new social mechanisms; it is the business of the spiritual leaders suitably to alter men's personal reactions to their environment. A new society

will only be the product of the mutual interaction of both factors simultaneously. New social mechanisms would alter men's reactions profoundly. The suitable alteration in men's reactions to environment would call into being new social mechanisms. But no amount of "goodness" will ever create suitable or efficient mechanisms. This is strictly the business of technical experts—it means, if you like, knowledgeable goodness.

In short, we can only control human events in so far as a comprehensive biological approach is made.

### 3. *What is the purpose of society?*

If society can be directed, then it is necessary to know in what direction it should go. To know the purpose of society we must firstly understand the nature of 'integral man,' for thereby alone can we understand the purpose of individual life. Only when this is perceived can we say what the purpose of society is.

Those who do not understand this purpose are the blind leaders of the blind. They are captains of the ship of State, without charts or a known destination; and this is the situation in every country today.

When we elucidate the purpose of society we see that it exists firstly to co-ordinate men's efforts to provide for their essential needs. Yet it cannot provide these needs *at any cost*. This dangerous misunderstanding lies at the back of the present Russian polity, and is the heresy-in-chief of all "left" wing abstractions. Human needs can only be procured in ways conformable with individual sovereignty, and these we have designated the 'basic needs.'

But man requires more than his 'basic needs' since he must satisfy the requirements of his higher nature, so society must also provide a field for the exercise of these higher needs by increasing the amplitude of individual sovereignty, chiefly through the provision of leisure.

Translating these 'objectives' into a practical formula, we can say that the purpose of society is to provide its citizens with (a) security with freedom, and (b) leisure.

The world population, even in the "wealthy" countries, consists of people suffering an appalling amount of malnutrition, not to say actual starvation, with consequent disease and premature death, and otherwise living under conditions of insecurity. To tackle this problem is the basis of any attempts at social regeneration.



#### 4. *How can the purpose of society best be attained?*

To answer this satisfactorily would necessitate a much fuller exposition of human ecology, but the essential means can be put briefly.

It may be as well to state firstly how it cannot be attained. It cannot be attained by the nescient method, which merely deludes men by the 'myth of action.' Neither can it be attained by any sacrifice of human freedom.

At the moment we are told that men are selfish and that regeneration is only possible when they are prepared to sacrifice self for "the common good." Such an exhortation is meaningless. In the first place human nature is against its accomplishment. In the second place, any society which invites men to abandon their personal ends in favour of political ideological ends or of such abstract conceptions as the common good, is self-condemned.

If society were designed to serve its true purpose, then whatever was good and desirable for the development of the individual, would be *ipso facto* good for individuals in co-operation, i.e. for society. This must be so, since a true society is not separate and distinct from the individuals composing it.

In other words, one of the chief tests for any social order should be the measure by which the satisfaction of man's true personal ends would automatically serve corporate ends.

Since society exists to provide security with freedom together with leisure, the basic conditions to achieve this aim are the fullest possible utilisation of technical knowledge, free energy and the natural resources of the earth.

In a debt society such a utilisation of human effort is impossible since security and leisure are firstly functions of money. But debt money is not created *pari passu with goods*. It is made according to the arbitrary canon of international finance and so men are perpetually short of goods because they are firstly short of money.

The purpose of society can only be attained by the destruction off the usurious debt system and the substitution of 'free money.' THIS IS THE ABSOLUTE CONDITION FOR SOCIAL REGENERATION. No scheme of amelioration has the least chance of success unless and until, to quote Abraham Lincoln, money ceases to be the master and becomes the servant of humanity, thus ensuring that no financial barrier is ever again interposed between man and his ability to create real wealth.

The task of creating, not social, but individual security within the ambit of freedom, is one which will occupy the energies of men under the best leaders for years to come.

If this task is to be achieved within the aegis of individual sovereignty, however, it cannot be done by the imposition of a plan "from above." As so often repeated, we can only correctly alter society by changing either the environment or the response of the individual.

To alter the environment most effectively we must first alter the financial system after which the next best methods are clear. The most serious material danger facing mankind is the present destruction of natural wealth and chiefly the wealth of the soil. The first task therefore is to get people back to work on the land under conditions which will not only prevent its destruction or loss but will suitably feed the soil so that its fertility will be maintained.

In this way the people will get food in sufficient amount and of suitable quality to nourish them. This, together with a proper hygiene, would immediately destroy most of our diseases and greatly prolong the expectation of life.

The agricultural changes would initiate other changes of incomparable benefit. Urbanisation would cease. Industry would be balanced against agriculture, and the sub-human life of the world regain its place and function. These changes alone would produce a miraculous alteration in the response to the pressure of environment, but above all they would render men sensitive to the promptings of their higher nature.

There is one danger, however. The creative human energies are limited and can be used in two ways. These may be called the psycho-somatic and the psycho-genetic. In the latter the creative energy flows mainly via the sexual-reproductive channels, in the former it flows mainly through the psychological and bodily channels; experience shows that man's creative progress is dependent upon a reasonable control of the sexual channel. Indeed, it may be this very fact which has prolonged the evils of 'usury' for so long, since a 'free money' mechanism, in the adolescent stage of human evolution, by its provision of perfect security, might well have caused disaster by the diversion of energy through the purely sensual nature.

But if we are to guide humanity to its high goal, it is not enough to alter environment. We must find a technique to alter response

to environmental stimulus. Here again the issue is clear. The unregenerate or natural man, to borrow a Christian expression, is one in whom the normal focus of consciousness is restricted to the body, the emotions and the rational mind. Such a man cannot consciously reach the higher levels of 'apprehension.'

By failing, to recognise this limitation he is fatally impeded in his search for truth, for 'reality.' Putting it from the Oriental viewpoint, truth is not to be found by mere reflection and study, but by purity of life, by holiness. Thus religion is necessary for the full regeneration of society. But what can we do to re-create religion? In the accepted sense of this question, we can do nothing. The spirit, like the wind, "bloweth where it listeth." We can no more "plan" religion than we can "plan" society, yet religious growth, like any other, is also the result of the pressure of environment. If there is one certain universal religious doctrine, and above all, a certain Christian doctrine, it is that of growth by sacrifice. It is through the mystery of suffering that real progress is achieved.

For us men, this doctrine means that the higher can only be attained by sacrifice of the lower, which is a reflection on earthly levels of the mystery of the Word made Flesh, "by Whose sacrifice the worlds are nourished and sustained." When men are sufficiently constrained by the pressure of events they feel and think and search for greater 'reality.'

Whether Christianity as a religion is destined to be the vehicle for the long desired revival of religion, or whether a new Incarnation is due, who can say?. But this we can say, that Christianity will not be recreated as a living faith until it is once again the object of persecution, and this it has now become.

The Christians of the western European communions regarded the persecution of the Russian church with a tragic detachment. They were sorry for their Russian brethren. They prayed for the them wished them well, but did not realise that the challenge to Christianity in Russia had any wider import. |

This inexcusable blunder is now being requited as the challenge moves farther afield. An extension of persecution into the Axis-occupied territories of Europe was evident and of course it has long existed in Japan. So far, there has been no open persecution in Britain or the U.S.A., except perhaps to the American sect of Jehovah's Witnesses; not because these countries have nobler

"principles" but because their churches have fully accepted the sovereignty of the State.

But the real nature of the struggle is in no doubt because it is a struggle for man's very soul. A State erected upon the centralised power of debt cannot permit true liberty.

Thus by suffering and sorrow and the awakened consciences of men we can see how religion may be wonderfully revived, but from what source shall we obtain an infusion of new thought and teaching? To this as already said, there seems but one answer—from the East and especially from India.

But, it may be asked, is Christianity not enough in itself? Does it not provide a sufficiency of guidance? The answer to this is both yes and no. It depends partly on what is meant by the label "Christianity," which is a collectionist abstraction having a variety of meanings.

If by the word is meant the revelation "once and for all delivered to the saints" as manifested through the scriptures and as, subsequently elaborated by official expositions, then we can assert that this kind of Christianity is not sufficient. Indeed, it is not so much Christianity as its official substitute.

If Christianity means anything, it means the manifestation of that life which emanates from the living Christ through the Holy Spirit and which is as near and as accessible to men now as it was in the days of the Incarnation. Yet it is not accessible to them through the operations of the intellect, but through holiness, whereby the higher realms of consciousness become activated. Thus it manifests at all times through the saints, and especially through those holy men with whom we lesser mortals can make personal contact.

The divine power comes also through the sacraments and through contemplative prayer, but unfortunately it is in the financially omnipotent Protestant countries that these channels are silted up.

Moreover sacramental power is enfeebled unless linked with the interior life, without which it becomes so much perfunctory ceremonial; and the work of contemplative prayer is too easily replaced by the lip service of vain petitions.

Without wishing to depreciate these methods however, experience shows that a religion as a living force stands or falls by the persons of its illumined devotees. Without holy men to guard and transmit the sacred fire of the spirit, religion withers and wastes. It is the

tragedy of Christendom that there is a dearth of holiness, especially of knowledgeable holiness, amongst its personnel.

But to revert to our question, there is a sense in which Christianity provides sufficient guidance. The gospels and their expositions are enough; and there is nothing in Eastern teaching not different or implied in the Christian. But the latter is not readily accessible in its original sources to unenlightened men, and much of it has been overlaid by the intellectual debris of centuries. 'India' on the other hand, through its splendid religious literature and a genuine spiritual aristocracy has preserved an invaluable heritage.

It recognises the necessity of religion as the director and generator of all activity and as the very matrix of the social organism. It recognises as worthiest of honour those who have abandoned all in the search for final 'reality'; and since this is everywhere regarded as the supreme quest and the true 'objective' of human life, 'India' not only permits but encourages the use of 'contemplative leisure,' and the highest measure of individual sovereignty.

All this it does because of the existence of "dharma," a remarkable and basic conception for which, to our loss, there is no English counterpart. Dharma is, in short, law in its most comprehensive sense—the Divine law at all levels of action—hence, righteousness, right action, or duty. *But it is not duty in the abstract.* It is the law as it applies to each created thing. In men, it is the law as applied to the individual, and hence his own unique special duty. Thus there is to the Hindu the dharma of race, of sex, of caste, of trade, and so on. And to the Buddhist the Dharma is the entire law of right conduct as given by the Buddha.

Hence in 'India' we find that all human activity is inseparable from religion; that each man, having his own dharma, has a personal uniqueness and sanctity which guarantees a high measure of individual sovereignty.

The true 'India' in consequence repudiates the claim of any one religion to be the sole and certain means of salvation; and it hence inculcates a tolerance to all other faiths.

Hinduism has probably survived longer than any other living religion and yet it has never had any kind of organisation. There is no supreme head, no hierarchy, no creed, no dogma, no canonical and infallible scriptures, no persecution, no bloodshed, no anathemas, no excommunications, no heresy. |

In India and in the East generally there is an awareness of the inviolable unity of all life. This doctrine is at the foundation of Hinduism and Buddhism. Both teach the relationship between cause and effect in every realm of action, and by a realisation of the causal nexus of conduct, these religions have been safeguarded against the use of violence, and their peoples likewise. This sense of unity, especially in Buddhism, has also militated against war, blood sports, and other cruelties towards the sub-human kingdoms of life.

The Hindu moreover has never lost sight of the concept of religion as an interior attitude. The 'knowledge' of God Immanent is held to be more important than that of God Transcendent and so there has been no lack of devotees to interior religion, without which the exterior counterpart is but an empty tomb.

But perhaps the grandest and most significant of all the lessons 'India' teaches is the existence and rôle of man's higher faculties of consciousness. To the Hindu (as to the Buddhist) the path to the highest 'reality' demands for its treading the deliberate cultivation of the integrated man, whereby the higher states of consciousness are engendered; for thus, and thus only, can man rise from belief to 'knowledge.'

It is indeed here that official Christianity has fallen lamentably short and has for practical purposes closed the door against spiritual growth. It has failed to see that speculation can never replace 'knowledge,' and that the operations of reason alone can never discover 'reality.'

Yet whatever the way by which salvation is found, whether by will, works, gnosis, or devotion, the Oriental teachers are at one on this—that no enduring attainment of 'reality' is possible until the seeker has achieved at least some measure of control over the body, the emotions, and, above all, the mind; and has thus curbed the desires of the lower nature.

European, or at least Western European, Christianity has never recognised, save in the works of a few mystics, and that but imperfectly, the all-important rôle of these mechanisms of the 'Self' in the quest for 'reality.'

Control of the mental mechanism, and of the desires, and the purification of the body by correct hygiene, sexual chastity, and abstention from harmful foods and drugs, are regarded in the East as vital to progress in the spiritual life.

Lastly, we have to recognise that 'India' has much to teach us as to social science. It is true that the social conditions of that country at first sight present a discouraging picture to the European and that the India of to-day has fallen from her old teaching and herself in need of regeneration. But there is nevertheless much to command attention and respect, more specially as we Europeans remember the present condition of our own society. What, then are the facts? They certainly do not lend support to the European's invincible condescension to things oriental. Our Europe was a contemporary development of the Christian era; but the first few centuries of this epoch witnessed the break up of the Roman empire and a reconstitution along lines which were in no way fundamentally different from those of other and older civilisations.

Modern Europe, whatever its lineage, is a totally different matter. The rise of the Italian bankers paved the way for the European explorations and settlements of the 15th and successive centuries. The scientific and industrial developments of the 17th to 19th centuries determined the nature of modern European culture and civilisation and ensured its imposition upon the greater proportion of mankind.

The civilisation of our Europe is thus a mushroom growth of some 400 or 500 years. These vivid and fertile centuries offer an astonishing spectacle of material progress and of scientific and industrial development; but in what other fields do we find room for congratulation? In music, beyond doubt; in art and literature much that is praiseworthy; but in education, in religion, and in the arts of government there is little to be proud of and much to atone for.

Compared to India and the East in general, European civilisation has proved to be highly unstable. A cursory reading of its history shows that its basis for centuries has been force and violence. For hundreds of years the people of Europe have been the pawns or victims of power politics.

The endless contentions, brawls and battles, and the arrogant, arbitrary divisions of territories and boundaries were the work of men whose sole guiding motive was power, prestige, and gain. In these insensate activities the common people suffered a succession of tyrannical minorities, both religious and secular, whose despotism was sustained by recourse to cruelty and violence.

Think, for example, of the many popular movements for liberation which, time and again, were extinguished in blood, without

even the most elementary efforts at redress or justice. Think of the many attempts at religious freedom and reform—the Albigenses and other sects of the Cathars, the Waldenses, Lollards, Hussites, the Anabaptists, the Quakers, the Moravians, the many movements within the Orthodox church, and last but far from least, the interminable succession of "heretics" who suffered bodily torture at the hands of their fellow Christians!

Think of the intimidation, persecution, and savage treatment of many of the greatest of Europeans; think, if you can, of the Inquisition, of the merciless penal codes, of recourse to the stake and to torture as everyday devices of government, of the treatment of the South American Indians by the Spaniards, of the rapine and subjugation of the coloured and backward races everywhere in the name of Christian progress!

And now, what a spectacle greets our eyes! The violence, craft, and cunning which were once the limited prerogative of princes and priests are now the universal prerogative of the most odious tyrants in history—omnipotent centralised governments.

Universal military servitude, all but universal labour servitude, universal and rapacious taxation, regimentation of human activity in general, a slavery of the dispossessed workers to a soulless industrial mechanism, increasing pomp and power at the top to offset increasing poverty and disorder at the foot, internecine struggles between class and class, the futile social and political ideologies, inept education, decayed art, pusillanimous religion, and, finally, open recourse everywhere to the most dastardly methods of violence which the perverted cunning of men can devise.

Is this, then the vaunted Europe which condescends towards the Orient? It is high time to exercise a little humility and discrimination. We have much to learn from our Asiatic brethren, and surprising as it may appear, even in the realms of sociology.

Here I can do little other than point to a few directions from which we might learn. Perhaps the essential lesson of India is the indissoluble nature of politics and religion, which has conferred an extraordinary stability and solidarity upon Hindu society during three thousand years of peace and war, famine and plenty.

Not only are religion and politics inseparably wedded in India, but religion and life in all their many aspects. As Hoyland puts it in the foreword to his "The Case for India" (Dent 1939):—



The religious system is one with the social system, and still intimately connected with economics and politics.

And on page 44:—

The achievement of India has lain, not in the domain of constitutional experiment and advance, but in the development of a vast system of social organisation—the caste system. It has lain, secondly, in the development of a type of life founded on the belief that moral issues underlie the whole universe, and decide the destiny of every human soul born into the world. It has lain, thirdly, in a continuously developing insight into the things of the spirit—into the relations of God with man.

The Hindus have seen with great clarity the perils and snares of Western culture. They have unequivocally declared European civilisation bankrupt both morally and spiritually and as founded on naked force and moral falsity; and it behoves us Europeans to study these charges.

The genius of the Hindu, as expressed in the thoughts and actions of Gandhi, also embodies another conception to which we must give the closest consideration. It concerns the nature and use of violence. In this respect I am not necessarily supporting Gandhi's particular political proposals. As far as I am able to judge, I think some of them to be erroneous. But the questions of non-violence (ahimsa) and of the "defence of truth" (satyagraha) are vital social issues.

I believe that recourse to violence is most dangerous. I am not of course thinking in terms of abstract "principles" but simply of the practical use of violence as an instrument of social policy. I believe, generally speaking, that it defeats its own ends, and that a recourse to it, which is the invariable method of Europeans, is fatal to the creation of a stable and decent social order.

That the rank and file of people everywhere must now join issue with their rulers on the question of personal liberty is a widespread sentiment. In this issue I am myself opposed to the use of bloodshed and physical force, and believe that the only valid resistance is that of non-violent opposition to every evil, in the ultimate interests of all.

Whatever may be the opinion upon the Indians' resort to the non-violent technique, its achievements since 1929 and its manifest power and applicability place it in the forefront of political methods, and call for serious study.

Then in the realm of social organisation there is much to learn from India. The ancient social aims and ideals are kept alive in

much of the religious and philosophic literature and in the Codes of Manu. Here is no weak-kneed pandering to the false tenets of political democracy but a frank recognition of the varied gifts and needs of humanity.

According to this venerable teaching, men are naturally divided into the four varnas or grades of Brahmin or spiritual; Kshatriya or warrior-administrator; Vaishya or mercantile-industrial; and Shudra or workman.

The Brahmin comes first *but he possesses neither worldly goods nor material power*. He is guide, counsellor and priest, and the repository of wisdom and purity. His code is service by sacrifice of self and his reward is spiritual quickening.

Society is then ruled and administered by the Kshatriyas, with the King as their head; but no judgment or plan can be executed without the sanction, under certain safeguards, of the Brahmin. The Kshatriya's code is therefore service by honour and his reward is title and position.

Next comes the Vaishya. He is the manufacturer, the craftsman, the banker, the buyer and seller for profit, and the distributor of goods. His code is service by enterprise and his reward is financial and material gain.

Lastly comes the Shudra, the worker comprising the mass of the people, by whose toil all the rest are sustained. His code is service by personal labour and his reward is physical security.

Thus in this old racial heritage we see in brief the perfect structure of society, with the four varnas representing respectively the head, the heart, the hands and the feet of the body politic.

Each grade has its recognised rights and duties in which our spurious democratic equality has no place. To whom much was given, from the same much was required. Thus the Brahmin's education was widely different from the Shudra's, since it was beyond doubt that the standards necessary for each were different both in kind and degree. Likewise also the penalties for wrongdoing were graded, and an offence or crime trivial in a Shudra would be enormous in a Brahmin or Ruler.

But what do we find in Europe? In the later centuries of the first Christian millennium there was an attempt at Brahmin rule, but it failed because the priests had both possessions and worldly power. They were replaced by the Kshatriyas in feudal times; but as land wealth was dispossessed by money wealth at the rise of the Florentine

money-lenders, Europe then came to be ruled by the Vaishyas or Merchant caste. This caste still belatedly rules in England but in Russia the rule has at last passed into the hands of the Shudras,

Thus we see how power has passed successively from its natural position amongst the most highly developed men into the hands of the least developed.

Shudra rule is indeed the inevitable end of the "inverted order" of debt society; and political democracy is the first fatal step toward the displacement of the merchants in favour of the labourers.

If we wish to reconstruct a 'natural order' of society both occident and orient require a mutual exchange of gifts. The East, preoccupied with the unseen, has neglected to investigate and correlate the phenomena of the material world; but she is a racial repository for the science of the spirit.

Reviewing her contribution for the regeneration of religion we can summarise it thus:—The efficacy of any true (revealed) religion; intellectual tolerance and the absence of heresy; the intercommunion and unity of all life; the attainment of 'knowledge' by the unfoldment of the consciousness; the predominance of religion at the apex of the social pyramid; the correct treatment of the body as a basis for spiritual development; the recognition of the natural grades of society as a necessity for stability; and rule by the most evolved.

Europe and America on the other hand have specialised almost exclusively in material advancement through science and the organisation of the social mechanisms. Such knowledge as has already been acquired is even now sufficient if properly used, to give men all their requirements with ample leisure to spare; and this relief from poverty and want is what the people of Asia above all require.

European civilisation has largely specialised in the physical and chemical sciences. It has nevertheless advanced considerably in biology, but is only beginning to make headway in psychology about which the East can still teach us much.

The most recent significant European developments lie in the new though immature approach to human problems through psychology, and in the domain of ecology.

Putting the respective contributions in a sentence, the Western World's contribution to social reconstruction will come through ecology in its widest application; the Eastern through its more comprehensive epistemology. By the former we shall be able to plan the fullest development of human society through a correct environ-

mental balance; by the latter we shall realise the true nature of 'knowledge,' which includes the recognition of 'Integral Man.'

And surely no consummation is more urgent or precious than to recognise man's nature and needs. It is at once the mystery and paradox of human life that the most selfless individual is he who most zealously seeks his own salvation. As he succeeds in this, his truly human quest, he becomes integrated, aware, unique.

Thus will men free themselves from the thrall of mind. The function of the 'apprehension' will be recognised and with it will disappear the present spurious competition and the rule of force, to be replaced by co-operation and rule by mutual consent under the wisest men.

The 'Natural Order of Society' will then reassert itself, with religion to give direction to the power that is 'knowledge,' so that social growth will proceed from within. With these changes the present spurious antagonisms of class, nation, and race will vanish as men come to recognise the necessary functions of these natural divisions, and thereby a practical scheme of human brotherhood will have been contrived.

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APPENDIX A

(See p. 151)

COMPARISON OF NET ANNUAL ECONOMIC RENTALS  
OF A 6-ROOM AND KITCHEN STONE BUILT HOUSE IN  
GLASGOW IN 1900 AND 1946

The Assessed. Rental is taken to be £35 in 1900 and £90 in 1946, while the interest rates are 3 1/4 per cent. and 41 per cent., and the Property Tax 1/- in the £ and 9/- in the £ respectively.

1900		1946
£		£
800	Building Cost	3,000
26	Annual Capital Cost	135
4	Maintenance	6
2	Factoring	5
1	Insurance	3
7	Feu Duty	8
5	Owner's Rates	30
8	Occupier's Rates	48
1	Property Tax	18
£54		£253

A study of these figures will show the real reason why, since 1919, houses have got smaller, shoddier, dearer and scarcer. Quite clearly, whereas the speculative builder could and did in 1900 build a substantial house at a moderate rent, with every prospect of sale or let, the same builder to-day would find it a financial impossibility. It is worth noting that if he tried to let it to-day at a figure which would clear expenses, the cost to the tenant would be far in excess of £253, because the Corporation of Glasgow, under the famous Scottish snowball system of rating, would assess him at somewhere about £200 per annum!

Clearly, as the price level and taxes rise, there comes a time when no builder, private or otherwise, can build unless the cost is partly covered by government subsidy, at the expense of local or national debt.

The present "temporary houses," the size of a decent hen-house, now cost about £1,400 and have to be subsidised also; and it is this financial factor which ultimately determines their microscopic dimension. Under this system the people will never be housed. Glasgow now needs 100,000 new houses. On the lowest estimate this would cost £150 million pounds, a quite impossible sum for a city now heavily in debt.

## APPENDIX B (See p. 184)

### THE FINANCIAL ANALYSIS AN EXPLANATION

In essaying a description of the financial system for the general reader, it is obvious that one must omit much; but the author's clear duty is to present what, to the best of his knowledge, is a fair summary of the situation.

Such a summary lays itself open to adverse criticism, and so, for the sake of those with special knowledge of financial matters, I should like to make the following explanation.

The analysis here given is chiefly concerned with the questions of debt and usury, subjects which are usually conspicuous by their absence in the orthodox textbooks.

Now I think that the most effective way of dealing with financial problems would be by an investigation into banking from the cost-price-accountancy angle. But for readers brought up to conventional ideas about money it seemed to me better not to go at one step to views so remote from their framework of reference. In any event this all-important angle has been thoroughly dealt with by Major C. H. Douglas, to whose works the interested reader can refer. If men desire a money system which will reflect reality, it is clear that a scientific cost-accountancy system is fundamental; but to discuss this would add considerably to the size and complexity of the book, and so I have elected to focus attention on the more obvious problem of debt.

Then there is another matter on which growing stress is laid by the orthodox economists. They now maintain that any attack on the bankers is outmoded, since the latter have now to take orders from the Treasury. Thus, the argument proceeds, the goal has been attained—the government now controls the bankers.

This is, however, a very partial truth. The bankers' system, in its unadulterated state, requires that the Central Bank exercises absolute control over its own lending powers: that there is a free world market for gold and hence an effective bank rate, and that the price-system and market economy are not interfered with by legislation so as to create spurious money values.

I am far from contending that a banking system thus operated is perfect. It is in the long run quite unable to meet the increasing monetary demands of the public and its weakness becomes apparent in time of war.

Had this system been rigidly adhered to in 1914, this country would have been quickly defeated. The war, in fact, showed the tragic inadequacy of the banking system; and the government, instead of scrapping it, simply sabotaged it by forced lending and a departure from its gold basis: and the bankers themselves had no alternative, since they could not see outside their own system.

The hopeless muddle thus engendered next forced the government to a fatal interference with the price-cost-accountancy system, by marketing boards, subsidies, priorities, quotas, more loans, price control, rationing, coupons, and so forth, with the inevitable prospect of complete social ruin.

This interference in fact makes a black market inevitable, renders any effort at genuine monetary parity between nations impossible, intensifies economic strife between them and freezes up all international movement of men, money or goods; and the forced lending to the government, especially by the Treasury Deposit Receipts at a trifling rate of interest, makes an uncontrollable rise in the price level.

So what it comes to is this. The British Government certainly dominates its bankers in the manner described, but it does so within the fundamental framework of the bankers' own technique which creates money by lending it into existence. Effective interference by the government should consist in the creation of a totally new monetary policy, as has been outlined.



Regarding the ratio of gold to bank deposit money as described in Chapter 8, I have of course not adhered to the traditional (and fake) 1 to 10 ratio, which in any event is, or was, only strictly maintained by a window-dressing racket in the bank returns. If the bankers had not unloaded debt on to the public and the government, the 1 to 10 ratio would be 1 to something much higher. I have put it quite arbitrarily at 1 to 50.

As to the national debt, there are economists who assert that this makes no real difference—it is merely figures in a ledger and in any case "we pay interest to ourselves." Suppose the national debt were owed by the government to each and every citizen to the equal amount of some £550, what would be the point in taxing each citizen for the interest and then paying him back the same amount, less cost of collection? This would be lunacy. Debt is only important to the moneylenders when it is centralised and is not owed to the people. *Cui bono?* If debt is so unimportant, why does the U.S.A. government have to lend money to other "countries" when its own internal government indebtedness is £75,000 million?

Finally, it should be observed that I have made a presentation which, for simplicity, assumes a static situation, *i.e.* taking yearly periods and fixed figures; whereas the money system is one of flux. To deal with the latter adequately would require a knowledge of higher mathematics; but in adopting the static presentation I do not think I have fundamentally falsified the true position.

## APPENDIX C (See p. 161)

### SOVIET RUSSIA

The various references to Russia were for the most part written about 1942, since when there have been many new disclosures and changes.

As regards the Soviet financial (1947) situation, the same studied obscurity has been maintained. The extent of the internal indebtedness has been carefully concealed; but there are a number of straws which clearly indicate how the wind blows.

Thus we find (*Glasgow Herald* of 26/2/47) that the price of rationed food in September 1946 was increased from two to (in the case of bread) three times its previous cost; and whereas a family of

four earning 1500 roubles a month formerly spent 200 roubles monthly on its regular rations, the new cost was 600-700 roubles. Then "free" market prices simultaneously rose enormously. In the "peasant markets" potatoes jumped from 3-4 roubles a kilo to 13-15 roubles; and bread from eight to 50 or 60 roubles and vegetable produce from three to five times dearer than the year before. At the same time the worker's basic ration was reduced. Then we have had odd bits of information about internal government loans on a huge scale, and efforts to negotiate loans from the "degenerate plutocracies."

The indisputable truth is that the inflation which Hubbard described in 1931 has risen to alarming heights and this fact, in my opinion, is the one bright spot in the international firmament. It means that the present Russian regime, however much its henchmen may boast and bully, and however prodigious its centralisation of power, is not only incapable of financing a war but is in imminent peril of internal disruption, along with, of course, all other countries on the same banking technique.

Now we come to Russian foreign policy. This is supposed to be an impenetrable enigma. One thing, however, is clear to the most obtuse; and that is the Russian intransigence in all external dealings.

In this respect a deadly situation is now being engendered chiefly through American public opinion, which is to say, the press. Anyone acquainted with United States newspapers and periodicals will know that, so far as communism is concerned, the lid is off at last. Steam is now belatedly blowing off in Great Britain. But I regard these manifestations as the result of misdirected heat. That the stage is now set for a third and final world war is certain though the conflict may not yet be inevitable. This war, if it comes, will be another ideological make-believe of "communism" versus "democracy."

Yet when events are reviewed 'realistically' the situation is far from enigmatic. Let us for the moment leave out the verbal claptrap and disregard the ideological smoke-screen, and we see quite simply a revival in intensified form of the old ineluctable economic struggle for survival which debt money absolutely necessitates.

The centre of gravity has shifted from London to Washington; but *"plus ça change, plus c'est la même chose."* I am not here apportioning censure but citing facts. The Russian government

observe the menacing and rapid advance of American economic activity. They observe the complete emasculation of Japan, the seizure of hundreds of bases in every part of the world, the military subservience of and alliance with Canada, the development of the largest navy and air force in existence, the atomic bomb, the economic and political infiltration everywhere and anywhere, especially in Western and Mediterranean Europe. They see the recent financial and military aid to Greece and the unprecedented American "interest in the Middle East," whose synonym is oil.

What defence, then, shall the Russians devise? They too, to survive, must improve industrial technique, must find raw materials and export markets at all costs, and must create the most powerful fighting forces. Seriously handicapped as they are, they have taken the bold policy of economic and military aggression along the periphery of the Soviet lands, as their sole hope of survival, aided by whatever means of disruption they can foment anywhere. In other words the "socialist sixth of the world" has now entered the lists as an "imperialist" power!

But, thinks the reader, what of communism? Is this not the driving motive? The answer is that no known imperialism could ever have supported itself solely on the user's necessity, and so some convenient ideological dynamic is forthcoming.

The British empire developed the concept of its "civilising mission," which was intimately linked with organised religion. Communism is merely an organised religion of the infernal variety, Karl Marx is its inverted Messiah, Lenin the new Paul, and its arch-exegete is Stalin. To-day there is nothing in Russia which would be recognisable by Marx as communism. But all can be readily explained, and is indeed explained, by a turgid maze of sophisms which constitute a grisly monument to the mythopoeic faculty.

Faced with the tragic realities of the Russian political and economic situations, the Kremlin past-masters of dialectic can justify the most vertiginous *volte-face*, which is unerringly reflected in the communist press of every country.

The dangers of communism are only too obvious. It is a weapon of supreme importance to Russia as a means of softening up and disrupting its economic rivals; but if the English speaking peoples ever mistake communist theory for Soviet realism they with the long-suffering masses of Russia will pay dearly for this error.

APPENDIX D  
(See p. 227)

TOYNBEE'S "A STUDY OF HISTORY"

This monumental work was first published in 1934. It is not history, but a study of history with special reference to the rise and fall of civilisations, and there have been published thus far six volumes of 500-700 pages each! Apparently there are another seven volumes yet to come. Its range and erudition are prodigious and the author would appear to have read the entire recorded history of the human race.

In his enquiry into the rise and fall of civilisations he perceives common cycles of advance and retrogression to which he attaches a mystical importance. Thus (p. 33 IV), talking of the cyclic movements of history he says: —

Does it not rather indicate that this periodicity is the very rhythm of Existence? What, in the last analysis are these movements of Yin-and-Yang and Challenge-and-Response and Withdrawal-and-Return and Apparentation-and-Affiliation which we have taken some intellectual pleasure in discerning and bringing to light? Are not these all just different variations in the periodic rhythm?

One is here reminded of Mr. Hely-Hutchison's Transcendental Pulse!

On p. 284, VI, we find: —

Thus in the disintegration-phase of the history of any, civilisation we can trace a movement of the disintegration rhythm through at least one beat and a half. A rout which begins at the breakdown of the civilisation is eventually followed by a rally which begins at the foundation of its universal state and which is eventually followed in its turn by the breakdown of the universal state's Pax Occumenica. This latter breakdown marks the beginning of another rout, which, instead of being followed by another rally, runs on unchecked until it results in annihilation.

I shall not harry the reader with more of this kind of abstractionism. As an elucidation of a causal nexus of history it is, at any rate to my intelligence, incomprehensible.

When we turn up the index under such items as money, finance, debt, usury, and so on, there is, apart from some few trifling-references to taxation and coinage in ancient Rome and Greece, absolutely nothing.

And so once again the historian fails us. It may be argued that Professor Toynbee is concerned with the higher planes of action;

but I fail to see, in view of the evidence (*e.g.* Ferrero) how any study of a civilisation's disintegration could omit a consideration of the rôle of "usury."

"A Study of History," however erudite and fascinating, is for our present purpose useless. It is a remarkable miscegenation between: Fraser's *Golden Bough* and Blavatsky's *Secret Doctrine*.

## APPENDIX E (See p. 336)

### EDUCATION, RELIGION, AND THE STATE

In Chapters 18 and 19 I had hoped to show, for Great Britain at least, the close interlocking of personnel in the mechanisms of Education and Religion, and its bearing on centralised power.

Such an enquiry was impractical because of its length and of the difficulty in procuring the necessary evidence. An investigation of *Who's Who* will show the interested reader, *e.g.* the close connection between the Anglican Church, the upper class boarding schools, and high academic appointments.

Then there is an even closer and more obvious connection between important government appointments and high university posts. The various heads of the universities (the Principals or Vice-chancellors in Scotland) are regularly men who are or have been active as government nominees to various ministries, important administrative committees, advisory boards, and what not, all connected with political and economic planning.

To take the Anglican Church, the present Archbishop of Canterbury, Dr. Geoffrey Fisher, according to *Who's Who*, after a distinguished academic career, became Assistant Master at Marlborough in 1911. He was then 24 years old. He held this post for three years, during which period he also became ordained Deacon (1912) and Priest (1913). After this short experience he became at the age of 27, Headmaster of Repton School, over which he presided from 1914 to 1932.

Then, although his career to date appears to have been entirely scholastic and academic, he burgeoned into the Episcopate and became Bishop of Chester (1932-1939), Bishop of London (1939-1945), and then Archbishop of Canterbury. It is interesting to observe that his predecessor in the latter See, Dr. William Temple,

was also his predecessor at Repton, where he was Headmaster from 1910 to 1914.

Turning to the academic world, two examples from Scotland will suffice. The latest Principalship, that of University College, Dundee, was filled by a distinguished retired soldier, Major-General Wimberley, C.B., D.S.O., whose career seems to have been entirely military.

Sir Hector Hetherington, the Principal of Glasgow University since 1936, began by holding various Chairs in Philosophy and Logic up and down the country, after which, in 1927, he became Vice-Chancellor of Liverpool University. The following is an extract from the 1947 *Who's Who*: —

Chairman Committee of Vice-Chancellors and Principals 1943-1946; Vice-Chairman Central Advisory Committee on Adult Education in H.M. Forces 1942,1946; Intelligence Division, Ministry of Labour 1918-1919; Secretariat, International Labour Conference (League of Nations) Washington, D.C. 1919; Appointed Member and Chairman of certain trade Boards; Chairman (1926-1927) Advisory Committee Glasgow Central Employment Exchange; member of the Royal Commission on Unemployment Insurance, 1930-1932; Chairman, Board, of Enquiry into Wages Agreement in Cotton Manufacture 1935 and 1937, and Royal Commission on Workmen's Compensation 1939; Member National Arbitration Tribunal, 1940-1946; Chairman Departmental Committee on Hospital Policy in Scotland, 1942; President National Institute of Social and Economic Research, 1942-1945; Life Trustee of Carnegie U.K. Trust; member Carnegie Trust for the Universities of Scotland; Chairman Advisory Committee, Leverhulme Research Fellowship Scheme; Managing-Trustee Nuffield Foundation.

Since the government now pay three-quarters of the cost of the universities, it is probable that the chief function of Principals is now to see that the Treasury's money is spent in the interests of centralised power. In Glasgow, at any rate, the separate medical schools and the Dental College have been deleted as independent bodies and power vested in the University, for which reason Sir Hector Hetherington recently publicly proclaimed that Glasgow would now be the largest medical school in Britain. Again "*Cui bono?*"

I may add that in singling out these four distinguished public figures, I am far from criticising their integrity or intention. I know none of them personally and have no knowledge of the factors at work in these higher appointments; but merely wish to show the close integration between official religion, education, and State or centralised control.

APPENDIX F  
(See p. 150 and p. 153)

That the banking system has now (1947) created "far too much money" might be taken as contradicting the assertion on p. 153. But my exposition was written with a view to giving a broad picture of the system, and not a day to day news-reel of its acrobatics. I had in my mind the "normal" peace-time situation wherein an army of unemployed and a surplus of unsaleable goods co-existed. This is surely incontrovertible proof that the bankers are incapable of creating enough money, save in war-time, when the extra money simply means a gigantic increase in debt.

But even to-day it is still true that, considered 'realistically,' the financial mechanism cannot, in respect to consumer's goods, create enough purchasing power to liquidate them: that is to say, if we begin at the right end by considering *goods*, not money. By the debt technique, however, it does create 'negative money' *not in respect to goods* and it is this money, when distributed to non-producers, which creates the "excess."

To say that there is "too much money," as is the current vicious propaganda, is to begin at the wrong end. There are simply too few goods; and under debt money this will always be so. If "too much money" becomes the Pseudo-principle then the people will suffer still worse austerities, without any lasting benefit; and in any case the "too much money" phase will be only a transient situation.

Then we can put the problem in the Major Douglas way. In respect to consumer goods, which is what matters to the people, their aggregate price consists of A payments to individuals, and B payments to organisations. But only A is available to purchase A plus B in any given production cycle. The financial deficit represented by B is chiefly made up by (1) exports and (2) bank loans, which means in the long run deposits. To-day we have simply excessive B payments, but still too little money distributed in respect to goods. If 20 per cent. of the working population make all our consumer goods, then the wages and salaries distributed to the other 80 per cent. constitute a claim on the goods made by the 20 per cent., and are in fact inflationary, and will continue to be so, no matter what action the government may take.

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## GLOSSARY

*(Page numbers refer to description or definition as given in the text)*

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ABSTRACTIONISM—A system of abstractions .....	193
ADMINISTRATIVE LAWLESSNESS—The operations of the Administration whereby the Sovereignty of Parliament and the Rule of Law are abrogated .....	272
BACONIAN-INDUCTIVE METHOD—The method of discovering truth from the senses and particulars by ascending continually and gradually until the most general axioms are attained .....	210
BASIC NEEDS—Adequate food, shelter and recreation .....	375
BASIC SECURITY—The provision of the Basic Needs, together with freedom .....	384
CENTRALISED POWER—The capacity to impose upon individuals from one focus, any desired line of action .....	319
CONTEMPLATIVE LEISURE—Free time to acquire the meaning or digest of experience. The diastole or inward aspect of living .....	377
CURSORY PRINCIPLE—Pseudo-principle (q.v.) .....	210
FINANCIAL FILTER—The mechanism by which the Veto Power of Negative Money rejects those who do not serve its ends. ....	321
FINANCIAL OLIGARCHY—That small group of people who, by the manipulation of finance, acquire sovereign power and rule the country .....	234
'FREE MONEY'—The money created by a cost-price-accountancy system which would equate financial cost to real cost ( <i>i.e.</i> consumption) .....	425
HELLENIC-DEDUCTIVE. METHOD—The false method of seeking for truth by a rapid or cursory inspection of events, often based on a false verbal framework, and ending in a general proposition or principle .....	211
HIGHER SEQUENCE OF EVENTS—The parallel but true or final purpose of human actions and events .....	390
HISTORICAL CLEAVAGE—The cleavage between the people and their rulers, whereby the actions of a man or a committee is supposed to be the actions of the people, who have thereby to stand the consequences .....	234
HUMAN ECOLOGY—The science of adjustment between organism and environment as concerning human beings .....	16
HUMAN SATISFACTION—A special variety of 'knowledge' through which the individual is activated towards his particular goal .....	376
'INDIA' —Not the geographic, the political, or the ethnic India; but the India which is the compendium of philosophy, of religion, and of custom, having that orientation to life which is the marrow of Hinduism .....	490
INDIVIDUAL SOVEREIGNTY—The capacity to exercise the rights and prerogatives of manhood as vested in the individual, along with the accompanying duties, under the fundamental laws of man's being .....	379
KNOWLEDGE—What is perceived by the individual as his 'reality.' It is of various kinds, <i>e.g.</i> bodily, aesthetic, intellectual and Supra-mental .....	191

	PAGE
LOWER SEQUENCE OF EVENTS—Events as viewed and directed by human endeavour towards purely personal ends . . . . .	390
MECHANISM—Any organised system for-carrying out a specific function. So far as its operation is concerned a mechanism is also under technical control . . . . .	36
MONEY—The generic definition—broadly speaking, any medium which is acceptable for the purchase of goods, or the discharge of debt . . . . .	56
MONEY, ACCOUNTANCY—Money which does not directly function as purchasing power but which exists as a fiction of accountancy in balance-sheets, capital values, etc. . . . .	80
MONEY, CENTRAL BANK—The kind of money possessed and created by central banks, which is available to governments and commercial banks but is not generally recognised as part of the money supply in the hands of the public. . . . .	71 and 79
MONEY, COMMERCIAL BANK— The money which exists in the books of the banks in the form of deposits or loans, etc. . . . .	80
MONEY, METALLIC—Coinage . . . . .	79
MONEY, PAPER—Currency in the form of bank notes, Treasury notes, etc. . . . .	79
'MYTH'—The false conclusions arrived at by the faulty use of the mind; false because neither mutually acceptable to competent observers nor capable of any operational test, and hence devoid of 'reality' . . . . .	196
'MYTH OF ACTION'—The belief that events are the result of, or can be effectively controlled by (i.e. that correct, action results from), the operation of Pseudoprinciples . . .	214
'MYTH OF HISTORY'—The false conceptions of social events arrived at by the Hellenic-deductive or nescientic method, together with those arrived at by a tendentious presentation of episodal material, which false conceptions make up history as commonly accepted . . . . .	223 <i>et seq.</i>
'MYTH OF MONEY'—All the fearful misconceptions which go to make up the uninstructed man's ideas as to money and the money system . . . . .	47-185
'MYTH OF STATE' —The concept that there is an entity called the State which, by personification, is supposed to act in all respects like a person, hence knowing, feeling, thinking, acting, etc. This entity is regarded as something superior to the individual . . . . .	201
MYTHOPOEIC FACULTY—The faculty or function whereby men create 'myth' . . . . .	197
'NEGATIVE MONEY'—That variety of money which is created through the action of the banks, central or commercial, by the granting of loans or overdrafts, the purchase of securities, or the discounting of bills, and which is fundamentally a debt against the community in favour of banking institutions. It means, in practice, all bank deposits . . . .	104
NESCIENTIC, NESCIENTICALLY—Adj. and adv. of nescientism . . . . .	214
NESCIENTISM—The false or Hellenic-deductive technique of approaching events . . . . .	214
NEUTRAL MASSES—Those who are neither convinced of the validity of, nor give allegiance to, any specific political creed. In practice, the 30 per cent., more or less, of electors who abstain from voting . . . . .	29
NON-EFFICIENT OBJECTIVE—Any 'objective' other than its specific one, towards which a mechanism may be used, but with loss of efficiency . . . . .	37
'OBJECTIVE'—The specific function which a mechanism attains by reason of its design, without necessarily any conscious personal aim towards that function . . . . .	36
'PROPAGANDA EDUCATION'—The ideas and concepts gathered through the press, cinema, radio and other such means of publicity . . . . .	310

	PAGE
PSEUDOPRINCIPLE (or Cursory Principle)—A general proposition arrived at by the Hellenic-Deductive method and generally incapable of operational proof .....	210
'REALITY'—A convenient synonym for "truth" at any level. It is not an abstract entity, but an individual perception. At its lower levels it is concerned with factual veracity. At higher levels it is a complex function of knowing, in its widest sense. Reality is not absolute but relative within its framework of reference and its validity in the last resort depends on the mutual agreement of competent observers, and on the operational tests of experience. At its highest level it is a direct apprehension of truth by the highest aspect of human faculty, <i>i.e.</i> the spiritual .....	190
'REALISM'—Synonym for the scientific method .....	214
SCIENTIFIC, SCIENTIFICALLY—Adj. and adv. of scientism .....	214
SCIENTISM—The logical technique by which the mind, utilising the Baconian-Inductive method, discovers truth or 'reality' .....	214
SOCIAL MECHANISMS—Seven principle ones namely—Finance; Industry, Sanctions, Administration, Politics, Education and Religion .....	41
SUPRA-MENTAL KNOWLEDGE—'Reality' as apprehended by the supra-mental or supra-rational nature .....	191
'UNREALISM'—Synonym for the nescientic method .....	214
'USURY'—The basic practice of banking by which money is lent into existence at interest, out of which money further debt claims are then generated, and whereby the bankers come finally, to create and appropriate their capital claims against the community .....	86
USURY, MAJOR—That form of money represented by bank loans and the discounting of bills .....	84
USURY, MINOR—That form of usury which creates interest-bearing savings, investments, or inheritances, and exists as government or municipal stock, industrial shares, bonds, debentures, mortgages, or capital claims on land, plant and property .....	84

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