Tune Into BCR 103.1 FM

AN OPEN LETTER ON BEHALF OF THE PEOPLE OF BURNGREAVE, SHEFFIELD, SOUTH YORKSHIRE THE BRITISH NATION AS A WHOLE & THEIR NHS

Part 3 – 13/03/2011

SUBJECT: "INEVITABLE AUSTERITY"
Cui Bono - Who Benefits and Why?
Sunday March 13th 2011BST:

"Unless spending reductions are made, annual interest payments on UK's debt will rise to £70bn a year, says prime minister."

Tune Into BCR 103.1 FM

TO: The Prime Minister & Deputy Prime Minister
10 Downing Street,
London
SW1A 2AA. **Date: Sunday March 13th 2011**

Dear David & Nick,

Today we broadcast this third open letter to you, which, as previously mentioned, forms part of a series we intend to deliver during the coming weeks and months, monitoring your joint terms in office, and addressing the concerns raised by listeners to BCR 103.1FM, among it's Sheffield residents and those of the wider South Yorkshire Community, together with our ex-pat listeners online and those receiving our service via other networks and associated media outlets. On this occasion with a special emphasis on your inept and destructive dismantling of the NHS on the grounds that money **has** to be restricted in order to meet the **'demands of the money market'** in order to reduce the country's self-inflicted masochistic DEFICIT.

As with the first of our broadcasts, the listeners have again responded to this morning's reading with their main concerns which are still those relating to your unjustifiable "Austerity" programs, which you say, in order for them to work, require "savage" cuts to take place in public spending of some 25% to 40%, otherwise - annual interest payments on the UK's debt will rise to £70bn a year - however, what is still more alarming, is the fact that both of you continue to state this with such conviction that you are continuing to deceive people into believing that there are **NO** credible alternatives to the needless deflationary damage your policies have been clearly designed to inflict on behalf of the IMF, OECD and poltroons who lend money to the state at interest? **When of course, you should know – that there are preferable alternatives ! AND ALWAYS HAVE BEEN. INDEED WHY DO YOU CONTINUE TO BORROW WHEN THE TREASURY COULD CREATE ALL THE MONEY WE NEED – DEBT FREE, INTEREST FREE, INFLATION FREE, AND THEREFORE DEFICIT FREE?**

I remarked on this in our first and second open letters in 2010 that: "If this is the case, which it is, then I am surprised that no one from the Treasury Department (or either of your own offices for that matter) has woken up to the fact that there are several highly effective alternatives to this "savage" slash and burn policy – with proven track records and parliamentary precedents on both sides of the Atlantic going back to 1793, 1826 and 1914, all of which still work, all of which are 99.99% 'painless' to society and all of which are capable of resolving the UK's Debt and Deficit problems within 72 hours, along with those of all our neighbours – should they choose to follow suit in casting off the fetters of Maastricht, particularly Article 104(i), and thereby eliminating the ***alleged*** necessity of carrying out such savage scorched earth austerity measures, which should by now be seen for what they really are: "Tory revenge by a savage gang of ham-fisted, venal sadists" (for which read Osborne, Alexander, Redwood, Gove and Laws et al) rather than the legitimate actions of a responsible administration trying to deal sensibly with a genuine, but avoidable, crisis – which many are now coming to see for what they are, and just as cynical and premeditated as the ones the City of London ran with Wall

Street back in 1929 during which they purposely withdrew 1/3rd of all money in circulation which naturally caused the great depression which was recently admitted to by non other than the chairman of the duplicitous Federal Reserve Board: Bernard S. Bernanke.

But before we come to him, let us see what the FED is really all about.

WHY AMERICANS ARE FED UP WITH THE FED $?

Between 1799 and 1802, Thomas Jefferson, stated, on more than one occasion that: "'I believe that banking institutions are more dangerous to our liberties than standing armies. If the American People ever allow the (Private) banks to control the issuance of their currency, first by inflation and then by deflation, the banks and corporations that will grow up around them will deprive the people of all property, until their children wake up homeless on the continent their fathers conquered. The issuing power should be taken from the banks and restored to Congress and the people to whom it properly belongs….Single acts of tyranny may be ascribed to the accidental opinion of a day, but a series of oppressions, begun at a distinguished period, unalterable through every change of ministers, too plainly prove a deliberate, systematic plan of reducing us to slavery."

Though some bankers may dispute it (well of course they would wouldn't they) it is reported that, on September 1st 1894, the following memo was sent out by the American Bankers Association: "We will not renew our loans under any consideration. On September 1st we will demand our money. We will foreclose and become mortgagees* in possession. We can take two-thirds of the farms west of the Mississippi, and thousands of them east of the Mississippi as well, at our own price...Then the farmers will become tenants as in England..."

* Mortgage from Norman French *Mort* as in Death - *Gage* as in Grip i.e. Death Grip.

This was and still is the banking system's standard starvation in the midst of abundance policy which was confirmed by non other than Milton Friedman who said: "The Federal Reserve <u>definitely</u> caused The Great Depression by contracting the amount of currency in circulation by one-third from 1929 to 1933". Denis Healey, a former British Secretary of Defence and Chancellor of the Exchequer also said: "(Such) World events do not occur by accident: They are made to happen, whether it is to do with national issues or commerce; and most of them are staged and managed by those who hold the purse strings."

U.S HOUSE BANKING COMMITTEE REPORT.

"It (the Great Depression) was not accidental; it was a carefully contrived occurrence. The international Bankers sought to bring about a condition of despair here so that they might emerge as rulers of us all…*We have in this country* one of the most corrupt institutions the world has ever known. I refer to the Federal Reserve Board. This institution has impoverished the people of the United States and has practically bankrupted our government. It has done this through the corrupt practices of the money vultures who control it. A superstate controlled by international bankers and international industrialists acting together to enslave the world for their own pleasure." - Louis McFadden, D-PA

The Federal Reserve Board

On June 10th, 1932, Congressman Louis T. McFadden, Chairman of the House Banking and Currency Committee, addressed the House. See Congressional Record 12595-12603.

"We have in this country one of the most corrupt institutions the world has ever known. I refer to the Federal Reserve Board and the Federal Reserve Banks. Some people think the Federal Reserve Banks are U.S. government institutions. They are private credit monopolies; domestic swindlers, rich and predatory money lenders which prey upon the people of the United States for the benefit of themselves and their foreign customers. The Federal Reserve banks are the agents of the foreign central banks. The truth is the Federal Reserve Board has usurped the Government of the United States by the arrogant credit monopoly which operates the Federal Reserve Board."

On May 23, 1933, Congressman, Louis T. McFadden, brought formal charges against the Board of Governors of the Federal Reserve Bank system, The Comptroller of the Currency and the Secretary of United States Treasury for numerous criminal acts, including but not limited to, conspiracy, fraud, unlawful conversion, and treason. The petition for Articles of Impeachment was thereafter referred to the Judiciary Committee and has yet to be acted on.

Congressman McFadden's Speech On the Federal Reserve Corporation

Quotations from several speeches made on the Floor of the House of Representatives by the Honorable Louis T. McFadden of Pennsylvania. Due to his having served as Chairman of the Banking and Currency Committee for more than 10 years, Mr. McFadden was the best posted man on these matters in America and was in a position to speak with authority of the vast ramifications of this gigantic private credit monopoly. As Representative of a State which was among the first to declare its freedom from foreign money tyrants it is fitting that Pennsylvania, the cradle of liberty, be again given the credit for producing a son that was not afraid to hurl defiance in the face of the money-bund. Whereas Mr. McFadden was elected to the high office on both the Democratic and Republican tickets, there can be no accusation of partisanship lodged against him. Because these speeches are set out in full in the Congressional Record, they carry weight that no amount of condemnation on the part of private individuals could hope to carry.

The Federal Reserve - A Corrupt Institution

"Mr. Chairman, we have in this Country one of the most corrupt institutions the world has ever known. I refer to the Federal Reserve Board and the Federal Reserve Banks, hereinafter called the Fed. The Fed has cheated the Government of these United States and the people of the United States out of enough money to pay the Nation's debt. The depredations and iniquities of the Fed has cost enough money to pay the National debt several times over.

"This evil institution has impoverished and ruined the people of these United States, has bankrupted itself, and has practically bankrupted our Government. It has done this through the defects of the law under which it operates, through the maladministration of that law by the Fed and through the corrupt practices of the moneyed vultures who control it.

"Some people who think that the Federal Reserve Banks United States Government institutions. They are (however) private monopolies which prey upon the people of these United States for the benefit of themselves and their foreign customers; foreign and domestic speculators and swindlers; and rich and predatory money lenders. In that dark crew of financial pirates there are those who would cut a man's throat to get a dollar out of his pocket; there are those who send money into states to buy votes to control our legislatures; there are those who maintain International propaganda for the purpose of deceiving us into granting of new concessions which will permit them to cover up their past misdeeds and set again in motion their gigantic train of crime.

"These twelve private credit monopolies were deceitfully and disloyally foisted upon this Country by the bankers who came here from Europe and repaid us our hospitality by undermining our American institutions. Those bankers took money out of this Country to finance Japan in a war against Russia. They created a reign of terror in Russia with our money in order to help that war along. They instigated the separate peace between Germany and Russia, and thus drove a wedge between the allies in World War. They financed Trotsky's passage from New York to Russia so that he might assist in the destruction of the Russian Empire. They fomented and instigated the Russian Revolution, and placed a large fund of American dollars at Trotsky's disposal in one of their branch banks in Sweden so that through him Russian homes might be thoroughly broken up and Russian children flung far and wide from their natural protectors. They have since begun breaking up of American homes and the dispersal of American children. "Mr. Chairman, there should be no partisanship in matters concerning banking and currency affairs in this Country, and I do not speak with any.

"In 1912 the National Monetary Association, under the chairmanship of the late Senator Nelson W. Aldrich, made a report and presented a vicious bill called the National Reserve Association bill. This bill is usually spoken of as the Aldrich bill. Senator Aldrich did not write the Aldrich bill. He was the tool, if not the accomplice, of the European bankers who for nearly twenty years had been scheming to set up a central bank in this Country and who in 1912 has spent and were continuing to spend vast sums of money to accomplish their purpose.

"We were opposed to the Aldrich plan for a central bank. The men who rule the Democratic Party then promised the people that if they were returned to power there would be no central bank established here while they held the reigns of government. Thirteen months later that promise was broken, and the Wilson administration, under the tutelage of those sinister Wall Street figures who stood behind Colonel House, established here in our free Country the worm-eaten monarchical institution of the "King's Bank" to control us from the top downward, and from the cradle to the grave.

"The Federal Reserve Bank destroyed our old and characteristic way of doing business. It discriminated against our [1]-name commercial paper, the finest in the world, and it set up the antiquated [2]-name paper, which is the present curse of this Country and which wrecked every country which has ever given it scope; it fastened down upon the Country the very tyranny from which the framers of the Constitution sought to save us.

President Jackson's Time

"One of the greatest battles for the preservation of this Republic was fought out here in Jackson's time; when the second Bank of the United States, founded on the same false principles of those which are here exemplified in the Fed was hurled out of existence. After that, in 1837, the Country was warned against the dangers that might ensue if the predatory interests after being cast out should come back in disguise and unite themselves to the Executive and through him acquire control of the Government. That is what the predatory interests did when they came back in the livery of hypocrisy and under false pretences obtained the passage of the Fed.

"The danger that the Country was warned against came upon us and is shown in the long train of horrors attendant upon the affairs of the traitorous and dishonest Fed. Look around you when you leave this Chamber and you will see evidences of it in all sides. This is an era of misery and for the conditions that caused that misery, the Fed are fully liable. This is an era of financed crime and in the financing of crime the Fed does not play the part of a disinterested spectator.

"It has been said that the draughtsman who was employed to write the text of the Aldrich bill because that had been drawn up by lawyers, by acceptance bankers of European origin in New York. It was a copy, in general a translation of the statues of the Reichsbank and other European central banks. One-half million dollars was spent on the part of the propaganda organized by these bankers for the purpose of misleading public opinion and giving Congress the impression that there was an overwhelming popular demand for it and the kind of currency that goes with it, namely, an asset currency based on human debts and obligations. Dr. H. Parker Willis had been employed by Wall Street and propagandists, and when the Aldrich measure failed - he obtained employment with Carter Glass, to assist in drawing the banking bill for the Wilson administration. He appropriated the text of the Aldrich bill. There is no secret about it. The test of the Federal Reserve Act was tainted from the first.

"A few days before the bill came to a vote [on December 23rd 1913], Senator Henry Cabot Lodge, of Massachusetts, wrote to Senator John W. Weeks as follows:

New York City
December 17, 1913

"'My Dear Senator Weeks:

"'Throughout my public life I have supported all measures designed to take the Government out of the banking business. This bill puts the Government into the banking business as never before in our history. "'The powers vested in the Federal Reserve Board seem to me highly dangerous especially where there is political control of the Board. I should be sorry to hold stock in a bank subject to such dominations. The bill as it stands seems to me to open the way to a vast inflation of the currency. "'I had hoped to support this bill, but I cannot vote for it cause it seems to me to contain features and to rest upon principles in the highest degree menacing to our prosperity, to stability in business, and to the general welfare of the people of the United States.

Very Truly Yours,
Henry Cabot Lodge.'"

"In eighteen years that have passed since Senator Lodge wrote that letter of warning all of his predictions have come true. The Government is in the banking business as never before. Against its will it has been made the backer of horse thieves and card sharps, bootlegger's smugglers, speculators, and swindlers in all parts of the world. Through the Fed the riffraff of every country is operating on the public credit of the United States Government.

The Great Depression

"Meanwhile and on account of it, we ourselves are in the midst of the greatest depression we have ever known. From the Atlantic to the Pacific, our Country has been ravaged and laid waste by the evil practices of the Fed and the interests which control them. At no time in our history, has the general welfare of the people been at a lower level or the minds of the people so full of despair.

"Recently in one of our States, 60,000 dwelling houses and farms were brought under the hammer in a single day. 71,000 houses and farms in Oakland County, Michigan, were sold and their erstwhile owners dispossessed. The people who have thus been driven out are the wastage of the Fed. They are the victims of the Fed. Their children are the new slaves of the auction blocks in the revival of the institution of human slavery. [exactly as in September 1894]

The Federal Reserve Board

The Scheme Of The Fed

"In 1913, before the Senate Banking and Currency Committee, Mr. Alexander Lassen made the following statement: "The whole scheme of the Fed with its commercial paper is an impractical, cumbersome machinery - is simply a cover to secure the privilege of issuing money, and to evade payment of as much tax upon circulation as possible and then control the issue and maintain, instead of reducing interest rates. It will prove to the advantage of the few and the detriment of the people. It will mean continued shortage of actual money and further extension of credits, for when there is a shortage of money people have to borrow to their cost.' "A few days before the Fed passed, Senator Root denounced the Fed as an outrage on our liberties. He predicted: 'Long before we wake up from our dream of prosperity through an inflated currency, our gold - which alone could have kept us from catastrophe - will have vanished and no rate of interest will tempt it to return.'

"If ever a prophecy came true, that one did.

"The Fed became law the day before Christmas Eve, in the year 1913, and shortly afterwards, the German International bankers, Kuhn, Loeb and Co. sent one of their partners here to run it.

"The Fed Note is essentially unsound. It is the worst currency and the most dangerous that this Country has ever known [Lethal Tender]. When the proponents of the act saw that the Democratic doctrine would not permit them to let the proposed banks issue the new currency as bank notes, they should have stopped at that. They should not have foisted that kind of currency, namely, an asset currency on the United States Government. They should not have made the Government [liable on the private] debts of individuals and corporations, and, least of all, on the private debts of foreigners. "As Kemerer says: 'The Fed Notes, therefore, in form, have some of the qualities of Government paper money, but in substance, are almost a pure asset currency possessing a Government guarantee against which contingency the Government has made no provision whatever.'

"Hon. L.J.Hill, a former member of the House, said, and truly: "They are obligations of the Government for which the United States received nothing and for the payment of which at any time, it assumes the responsibility: looking to the Fed to recoup itself.'

"If this United States is to redeem the Fed Notes, when the General Public finds it costs to deliver this paper to the Fed, and if the Government has made no provisions for redeeming them, the first element of unsoundness is not far to seek.

"Before the Banking and Currency Committee, when the bill was under discussion Mr. Crozier of Cincinnati said: 'The imperial power of elasticity of the public currency is wielded exclusively by the central corporations owned by the banks. This is a life and death power over all local banks and all business. It can be used to create or destroy prosperity, to ward off or cause stringencies and panics. By making money artificially scarce, interest rates throughout the Country can be arbitrarily raised and the bank tax on all business and cost of living increased for the profit of the banks owning these regional central banks, and without the slightest benefit to the people. The 12 Corporations together cover and monopolize and use for private gain - every dollar of the public currency and all public revenue of the United States. Not a dollar can be put into circulation among the people by their Government, without the consent of and on terms fixed by these 12 private money trusts.'

"In defiance of this and all other warnings, the proponents of the Fed created the 12 private credit corporations and gave them an absolute monopoly of the currency of these United States - not of the Fed Notes alone - but of all other currency! The Fed Act providing ways and means by which the gold and general currency in the hands of the American people could be obtained by the Fed in exchange for Fed Notes- which are not money- but mere promises to pay.

"Since the evil day when this was done, the initial monopoly has been extended by vicious amendments to the Fed and by the unlawful and treasonable practices of the Fed. [Ends]

With all the above testimony firmly in mind please read the following -

The Federal Reserve Board

Remarks by Governor Ben S. Bernanke

At the Conference to Honor Milton Friedman, University of Chicago, Chicago, Illinois
November 8, 2002

On Milton Friedman's Ninetieth Birthday

I can think of no greater honor than being invited to speak on the occasion of Milton Friedman's ninetieth birthday. Among economic scholars, Friedman has no peer. His seminal contributions to economics are legion, including his development of the permanent-income theory of consumer spending, his paradigm-shifting research in monetary economics, and his stimulating and original essays on economic history and methodology. Generations of graduate students, at the University of Chicago and elsewhere, have benefited from his insight; and many of these intellectual children and grandchildren continue to this day to extend the sway of Friedman's ideas in economics. What is more, Milton Friedman's influence on broader public opinion, exercised through his popular writings, speaking, and television appearances, has been at least as important and enduring as his impact on academic thought. In his humane and engaging way, Milton Friedman has conveyed to millions an understanding of the economic benefits of free, competitive markets, as well as the close connection that economic freedoms such as property rights and freedom of contract bear to other types of liberty.

Today I'd like to honor Milton Friedman by talking about one of his greatest contributions to economics, made in close collaboration with his distinguished coauthor, Anna J. Schwartz. This achievement is nothing less than to provide what has become the leading and most persuasive explanation of the worst economic disaster in American history, the onset of the Great Depression--or, as Friedman and Schwartz dubbed it, the Great Contraction of 1929-33. Remarkably, Friedman and Schwartz did not set out to solve this complex and important problem specifically but rather addressed it as part of a larger project, their magisterial monetary history of the United States (Friedman and Schwartz, 1963). As a personal aside, I note that I first read *A Monetary History of the United States* early in my graduate school years at M.I.T. I was hooked, and I have been a student of monetary economics and economic history ever since.[1] I think many others have had that experience, with the result that the direct and indirect influences of the *Monetary History* on contemporary monetary economics would be difficult to overstate.

As everyone here knows, in their *Monetary History* Friedman and Schwartz made the case **that the economic collapse of 1929-33 was the product of the nation's monetary mechanism gone wrong. Contradicting the received wisdom at the time that they wrote, which held that money was a passive player in the events of the 1930s, Friedman and Schwartz argued that "the contraction is in fact a tragic testimonial to the importance of monetary forces** [p. 300; all page references refer to Friedman and Schwartz, 1963]."

Friedman and Schwartz's account of the Great Contraction is impressive in its erudition and development of historical detail, including the use of many previously untapped primary sources. But what is most important about the work, and the reason that the book is as influential today as ever, is the authors' subtle use of history to disentangle complicated skeins of cause and effect--to solve what economists call the *identification problem*. A statistician studying data from the Great Depression would notice the basic fact that the money stock, output, and prices in the United States went down together in 1929 through 1933 and up together in subsequent years. But these correlations cannot answer the crucial questions: What is causing what? Are changes in the money stock largely causing changes in prices and output, as Friedman and Schwartz were to conclude? Or, instead, is the stock of money reacting passively to changes in the state of economy? Or is there yet some other, unmeasured factor that is affecting all three variables?

The special genius of the *Monetary History* is the authors' use of what some today would call "natural experiments"--in this context, episodes in which money moves for reasons that are plausibly unrelated to the current state of the economy. **By locating such episodes, then observing what subsequently occurred in the economy, Friedman and Schwartz laboriously built the case that the causality can be interpreted as running (mostly) from money to output and prices, so that the Great Depression can reasonably be described as having been caused by monetary forces.** Of course, natural experiments are never perfectly controlled, so that no single natural experiment can be viewed as dispositive--hence the importance of Friedman and Schwartz's historical analysis, which adduces a wide variety of such episodes and comparisons in support of their case. I think the most useful thing I can do in the remainder of my talk today is to remind you of the genius of the Friedman-Schwartz methodology by reviewing some of their main examples and describing how they have held up in subsequent research……

Conclusion

The brilliance of Friedman and Schwartz's work on the Great Depression is not simply the texture of the discussion or the coherence of the point of view. Their work was among the first to use history to address seriously the issues of cause and effect in a complex economic system, the problem of identification. Perhaps no single one of their "natural experiments" alone is convincing; but together, and enhanced by the subsequent research of dozens of scholars, they make a powerful case indeed.

For practical central bankers, among which I now count myself, Friedman and Schwartz's analysis leaves many lessons. **What I take from their work is the idea that monetary forces, particularly if unleashed in a destabilizing direction, can be extremely powerful. The best thing that central bankers can do for the world is to avoid such crises by providing the economy with, in Milton Friedman's words, a "stable monetary background"**--for example as reflected in low and stable inflation…..”

“……Let me end my talk by abusing slightly my status as an official representative of the Federal Reserve. I would like to say to Milton and Anna: Regarding the Great Depression. You're right, we did it. We're very sorry. But thanks to you, we won't do it again. [BUT HE AND THE FED JUST DID IT AGAIN, AS THEY ALWAYS HAVE AND ALWAYS WILL - UNTIL THEY ARE TURFED OUT OR FULLY REGULATED – IT’S HIGH TIME FOR LORD ACTON’S “PEOPLE VERSUS THE BANKS”]

At the same time on this side of the Atlantic similar battles were raging with the banks And no one was better qualified to expose and explain the British Political, Industrial and Financial system than Vincent Cartwright Vickers, who, in his ECONOMIC

TRIBULATION chronicles the betrayal of the United Kingdom by successive governments, in collusion with the City, and all it's financial institutions including of course it's banks – in particular the Bank Of England.

Vickers was a former director and deputy governor of the Bank of England, between 1910 to 1919, following which he became President of the Economic Reform Club and Institute. He also served as the Deputy Lieutenant of the City of London, and was a director of Vickers (Armaments) Limited, for twenty-two years, and then served as a director of London Assurance from which he resigned in January 1939.

The evidence contained in his book, about how and why crashes occur and how the "City of London" and "Wall Street" collude with one another in the creation and control of crises" which will come as a great surprise to those who always thought that the City of London was dedicated to clean commerce and five star financial rectitude – after 2008 they must surely think again.

Vincent Cartwright Vickers, was born on 16th January 1879, educated at Eton and Magdalen College, Oxford and died on November 3rd 1939, after a long illness. He was neither a "conspiracy theorist" nor a "loony lefty" and wrote authoritatively on the subject of monetary reform giving detailed, first-hand information, from within the Bank of England, London's Citadel of Banking and the Board Room of Vickers Industries – Britain's pre-eminent manufacturer of armaments.

He introduces himself and lays out his credentials as follows: "I who write this, need no proof of the importance of the money system upon the very lives of the people and even to the future existence of the British people, so long as that system (of banking) fills the position which it now holds in our National Economy. There are many thousands of well-educated men and women who, I believe, endorse my views in their entirety. But even for the most zealous of money reformers to attempt to write upon so vast and momentous a subject as our monetary system and the management of our national finances, such attempts would appear doomed to failure unless it were supported by great financial experts whose names were a by-word in the country. The next best alternative was that the author should himself be (QBPE) Qualified By Past Experiences to express an opinion worth reading.

I therefore decided to take the unprecedented course of offering to my readers my own qualifications for putting down before the British people the very precarious condition of our monetary system as it exists in this country to-day (in the late 1930's); that this our money system forms the most important part of our, economic system, and that the nation's economic system forms part of our social system.

Ever since that day in 1926, when, not in arrogance but with humility, I felt it my duty to explain to the Governor of the Bank of England, Mr. Montague Norman, that 'henceforth I was going to fight him and the Gold Standard and the Bank of England policy until I died' – and well I remember the words of his reply – ("The Dogs may bark but the caravan rolls on") I have been an ardent money reformer.

Some few years afterwards I resigned my long directorship of Vickers Limited, since when I have spent much time and money in advocating the necessity for a reform of the monetary system. This has naturally brought me into contact with most sections of the community; with Communists and those with axes to grind, with malcontents and debtors, and, in addition, with men and women who are honest and disinterested patriots.

Not more than a tenth of my income is earned; the rest comes from investments in Banks, Bank of England stocks, American and Canadian securities, etc., and, mainly, from British industrial securities. I am therefore a 'capitalist' – one who has seen better times – and content to remain in my present financial position, but most unwilling to have my present standard of living further reduced.

I bear no ill-feeling towards my own class or any other class. I seek neither notoriety nor kudos. If someone can change my convictions I shall be only too ready to alter them. But in fifteen years nothing whatever has occurred to make me alter my views. I still believe that the existing (monetary) system is actively harmful to the state, creates poverty and unemployment, and is the root cause of war.

This personal Confession is merely to demonstrate that I have seen both sides of the picture. My opinions are based upon my own experience and knowledge. I am to-day in the unique position of being absolutely and entirely devoid of animosity and wholly disinterested. I feel myself no longer under any restrictions whatsoever, except to guard against doing harm to my country or giving offence to anyone.

In August 1914, when the public very foolishly thought that gold money was preferable to paper money and actually did demand gold for notes in considerable numbers, the Joint Stock Banks, like Brer Rabbit, lay low, and referred clients demanding gold to the Bank of England.

A run on the Bank of England followed; and when a paltry ten millions or so of golden sovereigns had been handed over the counter to the waiting crowds, in exchange for notes, the whole money system collapsed and there followed a double Bank Holiday and a moratorium; we went off the Gold Standard, and we were not even permitted to draw our own money from our own bank unless we could 'satisfy' the bank officials.

Therefore the British public should be warned to regard with suspicion those who glibly talk of the advantages of gold convertibility; for it is a technical term which is grossly deceptive and misleading, and should carry about the same weight as the expression 'sound finance'.

Every new invention, almost every phase in our progress, tends to produce a new nomenclature and new expressions. Some years ago we heard a great deal about 'rationalisation of industry', which in plain English meant 'drastic cuts of wages and schemes - of amalgamation' so that the price level of production should make the restored Gold Standard look respectable by still leaving a margin of profit for the producer….

It involves stout adherence to a customary ratio as between deposits and loans; it entails the principle of giving the lowest possible interest to the depositor and obtaining the highest possible return from the borrower (**as at the present time in 2011**); it favours, quite naturally, the rich, as against the poor borrower, and gives a preferred credit to saleable collateral in the form of Stock Exchange securities rather than, to any other security.

Similarly, Inflation and Deflation of the currency: We have been taught that Deflation which benefits the lenders of money (such as banks), is at times an unavoidable and necessary action in-order to preserve 'sound finance'; whilst Inflation, benefiting the debtor (such as farmers, shopkeepers, and traders), entails action which is so disgraceful that it should never be mentioned in any respectable bank parlour. (NOTE: HENCE THE PERENNIAL BANKING OBSESSION OF KEEPING INFLATION AT ZERO AND MONEY IN SHORT SUPPLY, BECAUSE - THEY DON'T LIKE COMPETITION)

When things changed, so that it had to be mentioned, the word 'Reflation' was coined – in order that orthodox economists should not have their delicate digestions upset by being made to eat their own words.

And 'sound finance' means nothing at all. It is merely a sort of bankers' slogan adopted to disguise the injustices of a credit system; so that whatever the form of financial jugglery in question might be, (that) it should, in the ears of the public, give the true ring of the genuine coin or, at any rate, have a comforting sound about it.

Whether we like it or not, we must realise that the opinion of the City of London very often does not represent the opinion of the Country; that **'sound finance' is essentially an expression invented by the banker and the dealers in credit**

But, above all, it entails that there should exist at all times a demand for credit and currency which, normally, exceeds the supply; and it prescribes that there should be no reform and no legislation which might deprive the money industry of the natural and interested advantage of its monopoly or of its existing policy...

[David and Nick do you not recognise your role in this continuing process of deception?]

It permits and often encourages the taking of risks on the part of Industry and Commerce - but must avoid participation in that risk.

It favours Deflation; but abhors Inflation even when it is re-christened Reflation; and, in an emergency, is always the first into the lifeboat, the first to leave the sinking ship, and the last to man the pumps.

It refuses to understand that money should be only a means of facilitating an equitable barter economy, and that there can be in reality no such thing as 'sound finance' so long as the country is unsound.

It fails to believe or to understand that the welfare of the country's productive industries are of far greater national importance than the non-productive business of withholding, managing, and distributing a credit founded upon bank deposits which are the property of the bank's customers and are based upon the unlikelihood that depositors will all withdraw their credits at the same time.

Under the immense advantages of the cheque system, hundreds of millions of pounds change hands every week between the bank's individual customers. This cheque system is dependent upon the integrity of the people as a whole, and mainly constitutes a series of book-entries involving the movement of an extremely small percentage of actual currency.

Another of the great features of the present monetary system is that extraordinary economic propensity known as the Trade Cycle – a phenomenon which is regarded by the majority of our banking and finance experts, and many an orthodox economist of the old school, as an unavoidable and unaccountable economic reaction, comparable with the to-and-fro swing of a pendulum but having, nevertheless, no definite frequency or vibration; whereby a boom must inevitably be followed by a slump, and a slump be the precursor of a boom.

This 'unaccountable phenomenon' is of course a very objectionable feature; for it destroys the confidence of the optimist whilst at the same time confounding the pessimist - and therefore induces a get-rich-quick-or-the-tide-will-turn mentality which tends to convert the most sober trader into a quick-change artist, destroys permanent confidence, fills us with the spirit of gambling and speculation, and turns us all, so to speak, into Trade-cyclists.

The finance industry, the exchange bankers and the Stock Exchange grow rich upon the ups and downs of trade, and are largely dependent on variations and changes of the price levels of commodities.

But productive industry grows rich upon stable markets, a constant price level, and the Absence of violent economic fluctuations.

There are not a few in the City of London who have (legitimately) converted their annual incomes into annual repayments of capital, in order to escape the over-burden of British income-tax and super-tax. **And yet it is the financiers of the City of London who are the great conscientious objectors to any 'premature' or 'emergency' reduction in this heavy burden of income-tax.** How can one justly blame the Chancellor of the Exchequer when he budgets for the ultimate benefits of 'sound finance' rather than for the immediate necessities of producer and consumer?

Under such general conditions the Communist is naturally content to abide his time; for he observes that the trend of affairs is slowly converging towards the very conditions which he most desires to see – a growing discontent with finance and the money system, an increasing weariness of the present form of Party government, and an increasing poverty and loss of influence among those who have so recently been the mainstay and backbone of the country. Unless the great producing industries of this country hold together, consult together, and support one another, there is no safe anchorage for the nation in the storm that is already on the horizon (1939).

In a national emergency it is essential that the nation should be able to rely implicitly upon an adequate supply of credit and currency to meet all possible contingencies. We cannot risk a repetition of the financial fiasco of August 1914, nor permit any unregulated flight of capital such as occurred at the time of the Munich crisis.

We do not want once more a sudden inflation of the currency, followed eventually by a still more ruinous policy of long-term deflation.

We know how we stand with regard to our Navy, Army, and Air Force, and that Fourth Arm, our Civil Defence.

In addition we have the assurance that in time of war the nation can rely upon an adequate food supply. And yet, in spite of these defences, each one of which adds its quota to national confidence and spurs us to further efforts, we have heard little of encouragement concerning our money preparations for this emergency. The nation cannot be expected to have full confidence in the future whilst this vital Fifth Arm remains a more or less unknown quantity, obscured from the public eye and wrapped in mystery. Cheap money and the exchange equalisation fund have well fulfilled their peacetime objectives, and the nation has thrown off forever the restrictions of the Gold Standard; but such steps are not in themselves enough.

The supply and issue of money and the creation of credit still remain almost entirely outside the control of the Government, and are still managed by Banking and Finance and by the Bank of England with its intimate associations with the Bank for International Settlements; whilst, until our actual declaration of war, Foreign Exchange speculators were permitted at all times to gamble with the nation's credit, untrammelled by any sense of patriotic duty and thinking only of their own profit.

Although an Act of Parliament was designed to enable the police to give the citizens of this country greater protection against the bomb-dropping propaganda of the I.R.A., these misguided terrorists have not done half as much harm to the nation as that consortium of Foreign Exchange speculators who were left free to initiate a national financial crisis whenever a profitable opportunity presented itself.

Until these financial Gangsters are **permanently exterminated** there can be no complete confidence in the economic welfare of the country.

Just as the greatest advocates of a better agricultural policy for the nation are the agriculturists themselves, **so the greatest opponents to a change of monetary policy are those who are themselves satisfied with the present order of things?**

Although there have always been grounds for the assertion that the Bank of England considers the profits of its stockholders as coming second in importance to the interests of the nation, the money industry, in all its branches, is not a charitable organisation, but a non-productive industry working for profit.

That part of our invisible exports which is profit to 'the money market of the world' is obviously a national advantage of great importance.

But in so far as this profit may accrue to the City of London **at the expense of the nation,** by promoting the importation of goods which can be better produced at home, so this profit becomes of infinitely less value than profit derived from home productive industries which carries, in the cost of production, **70 per cent to 80 per cent of wages.**

The moment we realise that, under the existing system, the main inducement to work is one of profit, it follows that the practices and rules and regulations governing the money industry must be mainly based upon its controllers' own desire for their own profit. It is therefore important to understand where the interests of banking and finance clash with those of the producer (of real wealth) and consumers – that is, the community.

Three great deterrents to progress in productive industry are:
1. Indebtedness and the fear of indebtedness.
2. Lack of capital.
3. Lack of adequate purchasing power in the markets.

Therefore the nation, the community, requires: -
1. Freedom from indebtedness where that hinders trade;
2. Easy credit facilities at low rates of interest with adequate and just terms as to time of repayment;
3. And an ample purchasing power available to the public.

Vincent Cartwright Vickers - October 1939.

The above confirms that the prior announcement in 2004 by Chancellor Gordon (INCAPABILITY) Brown of a coming Crash in 2008, to have been accurate having been pre-arranged by City Bankers and therefore predictable and **completely avoidable if** Brown had acted like Dr. Mahathir who saved Malaysia in 1997/98 from a similar crisis with the help of James Gibb-Stuart and members of our Bromsgrove / FFSC Group. Mahathir saved his country yet Gordon was too weak even to save Woolworths. To Bernanke and Brown we say Cui Bono – Who really Benefited?

I then went on as with this current letter to continue to provide additional evidence in support of our allegation that the CRASH of 2008 was indeed a contrived premeditated re-run of the one in 1929, and all others even before that going right back to the South Sea Bubble of 1720., supported, as previously mentioned, by that astonishing entry in David Blunkett's diary confirming that Gordon (Incapability) Brown actually informed the Cabinet Spending Review Committee in July 2004, that a major downturn **would** occur towards the end of 2008 and that they should cut back on their plans in preparation for this eventuality. Here is Brown's indictment: -

Extracted from David Blunkett's Diary

British Home Secretary – Under New Labour – July 2004 Diary Entry:-"And so to special cabinet, prior to the Spending-Review announcement on the Wednesday morning. Gordon was extremely friendly and talked very positively about the Home Office and me. He painted a picture of what would happen from 2008 onwards, of

1.9% average growth, how dreadful things were going to be and how everybody needed to wind down what they wanted to do".

"I just couldn't resist putting my hand on his shoulder and saying: **"I'm really surprised that you want to continue being chancellor with such a dreadful scenario."** There was utter silence - I could feel jaws dropping - and then everybody began to laugh. **When I saw Tony (Blair) afterwards** for a private meeting, he said: "Only you could have got away with that." I thought to myself **"I wonder if I have!"** - but I just couldn't resist (making the comment)."

Again – Cui Bono – Who benefited? Well of course, as always, the denizens of the City of London – who, like the Church Commissioners, were described by Hugh Kingsmill as: **"EXCREMENT LIVING ON INCREMENT."**

The Take home pay for some of these City of London Incrementalists who fall under Kingsmill's category include grand theft usurers such as Rich Richi £44 million; Jerry del Missier £47m; Tom Kalaris £13.8m; Robert Le Blanc £13.8m; Antony Jenkins £8.2M; who in the words of Gillan Tett: "In their silo mentality…suffer from the collective delusion" that their alleged "untarnished brilliance deserves exceptional rewards."

Nick you will have to fill in the blanks about your father's take home pay as Chairman of London's UNITED TRUST BANK, of whom the blurb states:- "Sir Nicholas Clegg is chairman of the United Trust Bank. The bank describes itself as one of the UK's leading suppliers of funding for property developers based in the UK. His banking history also includes being director of one-time merchant bankers Hill Samuel Co Ltd, now a wholly owned subsidiary of Lloyds TSB's Offshore Private Banking unit – given the Lib Dems' stance on tax havens it is perhaps a relief for Clegg junior that his dad no longer works there. He was also co-chairman of Daiwa Europe Ltd; and chairman of Daiwa Europe Bank plc – where he worked with former chancellor and Tory heavyweight Ken Clarke".

Category: Business
Date: 19/08/2010 United Trust Bank has made a number of revisions to the rates of interest paid on its fixed deposit accounts for businesses. The five year account now pays a top rate of 4.50% on minimum investments of just £500. All other terms and conditions remain unchanged. These increases are great news for businesses that have surplus funds to tie up for fixed terms. The five year product at 4.50% is now one of the top fixed rates available, although a long term commitment could limit its appeal.

DAILY EXPRESS Nick Clegg's family are a banking dynasty (in their own right)

Published: Tuesday May 4, 2010 by chochokeira Nick Clegg condemns bankers, yet he presumably will inherit some of the proceeds of his family banking dynasty?

Nick Clegg's father (Sir Nicholas Clegg) is Chairman of the United Trust bank. His grandfather, Hemmy (**Herman**) **van den Wall Bake**, was **president** of Dutch banking giant **ABN**. I've read that Clegg's brother is a banker too. Are a number of **van den Wall Bake** bankers with Dutch and EU banks also related to Nick Clegg? **Herman van den Wall Bake**, with the Deutsche **bank** and in charge of G3 bond syndication. Frank **van den Wall Bake** who was with Algemene **Bank** Nederland (ABN)(Saudi Arabia). Clegg should come clean about his family's banking dynasty Jan Willem **van den Wall Bake**, Executive Director of EBRD - European **Bank** for Reconstruction and Development. **Why isn't Nick Clegg open and transparent about this?"**

Indeed! Surely Nick it is time for you to come clean with the British electorate about your real agenda in Parliament as a fully paid up member of this ultimate dynastic trades union operating the ultimate in secretive closed-shops? In Sheffield you said "Yes, We've had to toughen up. But we will never lose our soul," Nick this surely falls under the delusions of candour category: you already lost your collective LIB-DEM souls when you betrayed the students and their families with your broken promise not to raise tuition fees and quashed the prudent investment loan for the new forging press to Sheffield Forgemasters which in any case should have been a grant for all the new wealth and jobs it would have created – but who of your friends in Europe put pressure on you? In any case it's all par for the course of betraying British Industry by successive governments of every colour particularly those of the Conservatives. On March 17th 1845 Benjamin Disraeli stated that: "A Conservative Government is an organised hypocrisy." If he were here today he would put both you and the Lib-Dems in that same hypocritical category, along with New Labour. Bearing out my own conclusions that if: "Patriotism is the last refuge for scoundrels then hypocrisy must surely be the first."

David finding yourself in office but not in power is not a new phenomena it is absolutely par for the course placing you in the same position as all other Prime Ministers before you, including Benjamin Disraeli, Britain's first Jewish Prime Minister, and William Gladstone; This impotence is best summed up in Disraeli's novel CONINGSBY. Using a somewhat slightly veiled portrayal of the head of N.M. Rothschild in the guise of Sidonia he writes.

"'I am going to Cambridge in a week,' said Coningsby. "I was almost in hopes you might have remained as long.'

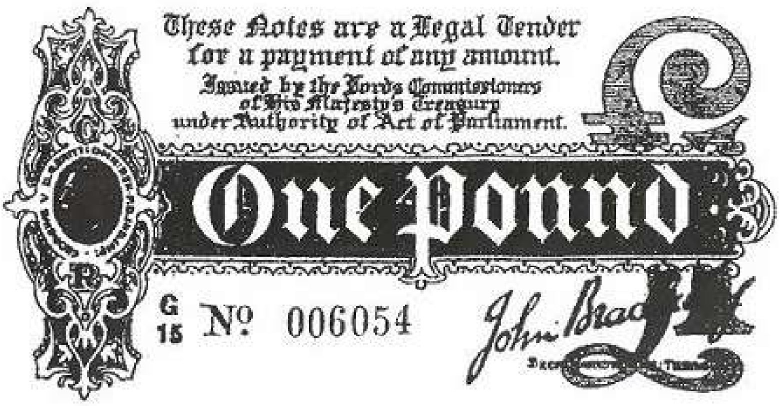
'I, also; but my letters of this morning demand me. If it had not been for our chase, I should have quitted immediately. **The minister cannot pay the interest on the national debt; not an unprecedented circumstance, and has applied to us (N.M.Rothschild).** I never permit any business of State to be transacted without my personal interposition; and so I must go up to town immediately.'

'Suppose you don't pay it,?" said Coningsby, smiling.

'If I followed my own impulse, I would remain here,' said Sidonia. 'Can anything be more absurd than that a nation should apply to an individual to maintain its credit, and, with its credit, its existence as an empire, and its comfort as a people…"? to which all of us here at BCR and the Royal Hallamshire Hospital say a hearty AMEN

Disraeli was obviously well aware of Mayer Anselm Rothschild's equally ominous disclosure when he said: **"…permit me to issue a nation's money /currency, and it is irrelevant who makes it's laws".**

And absurd it will remain until you finally wake up to what is really happening in the country which is due entirely to the ineptitude of your advisor/s who, unlike David Lloyd George, was competently advised by H.M. Secretary to the Treasury, John Bradbury, who during the banking crisis of August 1914, mentioned by Vincent Vickers above when even the Bank Of England became insolvent, he declared a 3 day Bank Holliday during which he issued what eventually amounted to some £500,000,000 in Treasury Notes – subsequently referred to as *BRADBURY'S* otherwise termed DEFICIT SPENDING and more recently QUANTITATIVE EASING but on that occasion using his signature and the authority of the LORDS COMMISSIONERS he issued debt free, interest free, and therefore DEFICIT FREE treasury money CREATED FOR THAT SPECIFIC PURPOSE. DAVID and NICK YOU COULD AND SHOULD DO EXACTLY THE SAME TODAY BUT NOT, I REPEAT, DEFINITELY NOT USING BORROWED MONEY FROM ANY CITY INSTITUTION – IN LONDON, WALL STREET, WALL BAKE STREET, OR OTHERWISE.



Here is a later Ten Shilling note bearing Bradbury's famous signature.

As mentioned in letter number 2; and from the new evidence presented above; Apart from fermenting Wars, and Civil unrest, Crashing Markets is one of the somewhat '***adroit schemes'*** carried out by banks and other financial institutions in order for them to periodically fill their bags with the wealth, land and property stolen from others. And this continuing state of affairs has been brought about by the failures of all British governments - past and present - to enact and enforce effective legislation, regulating the City's 800 year old Corporation, along with all of it's bankers, banks, and other parasitical institutions – including the Bank Of England. The following evidence illustrates the early failures of the Bank Charter Act of 1844 and, with the possible exception of Bischoff, the findings of ALL subsequent Committees that have ever been convened to investigate these - **avoidable yet recurring problems** – including Macmillan (in June 1931), Radcliff (in 1959), and then later on by Wilson. For an obvious way forward please check out: www.BankofEnglandAct.co.uk

"In 1857, before the umpteenth Parliamentary Committee investigating the umpteenth failure of English Banking Laws, and the Bank Charter Act of 1844, there appeared a witness by the name of Mr. E. Capps, a building contractor and the following question was put to him. ***"You are, then, in general of the opinion that the present system (of bank legislation) is a somewhat adroit scheme for bringing the profits of industry periodically into the usurer's bag?"*** **Mr Capps** – ***"I think so. I know that it has operated so in the building trade"*** A point echoed 74 years later by our heroic former Secretary to the Treasury - Lord John Bradbury in his stunning 14 page Dissenting Memorandum to the Macmillan Committee Report in 1931 in which he categorically asserts that: ***"Honesty, even if stupid, is a far better foundation for credit than the most adroit finesse."***

Therefore, in the final analysis, if you are both genuinely interested in finding the keys to solving "Boom and Bust" and seriously concerned about eliminating the real causes of these periodically Engineered Depressions and Recessions, it will require you to select a body of people who are not genetically wired or mired in generations of entrenched City self-interest to review the evidence provided above and below and then, along with yourselves, wholeheartedly admit that in order to deal effectively with the burgeoning Deficit - from a strictly logical, prudent and practical standpoint - that there are absolutely no justifiable reasons for inflicting "savage" austerity measures on any sectors of the real economy particularly the NHS and all members of our already BIG SOCIETY – be they rich or poor – because the actual problem clearly resides elsewhere.

In other words unless you use good old commonsense and the benefit of 20/20 hindsight, to get to grips with the **actual problem** which resides squarely in the BOE at **EC2R,** you will inevitably be faced with a repeat performance of 1914-18 and 1939-46 both of which followed similar collapses and, therefore, unless you act, **will** result in WWIII; because war is an **inevitable** consequence of ever-accumulating debt compounded by interest, which can only be solved by you dealing effectively with the root causes of the problem which, in 1942, concentrated the mind of Archbishop William Temple, who, during the Blitz, - which again had been caused by the failure of all British governments to regulate the City and it's Usurious-Debt-defying institutions - makes the point crystal clear in his following observation: "The trend towards war is inherent in the internal economy of the modern nation. The essential evil in the ordering of European life has been the inversion of the proper relations between finance, production and consumption…"

The solution having being correctly defined by Keynes in his General Theory, as per the following passage from - THE BETRAYAL OF KEYNES, Chapter 10 in our book THE ***OTHER*** ROAD TO SERFDOM: ***'It would mean the euthanasia of the rentier, and consequently, the euthanasia of the cumulative oppressive power of the [money] capitalist to exploit the scarcity-value of capital…I conceive, therefore, that a somewhat comprehensive socialisation of investment will prove the means of securing an approximation to full employment. But beyond this NO obvious case is made out for a system of State-Socialism which would embrace most of the economic life of the community'.***

I'm sure that you don't need me to remind you that Keynes was not a Socialist – what he is saying here is that all that is needed to permanently solve the problem is a fully functioning National Bank of England, working in the true-blue "**patriotic**" interests of the entire country as designed by the M.P. David Ricardo, in 1823 – As an interim measure today's Public Works Loan Board could easily undertake this function.

Bearing in mind J.K.Galbraith's contention that Economists were invented in order to make Astrologers look credible, and in order for you both to fully understand the problem along with its solution – of which there are several - and without the need to consult Downing Street's carefully trained in-house economists and or other so-called "experts" – I am incorporating in its entirety – **THE DEFICIT MADE ME DO IT** - with Professor John Hotson's 1988 prediction of a 1929 size Crash that would inevitably follow Allan Greenspan's appointment to head up the Federal Reserve, as did also the designer of the €uro, Professor Bernard Lietaer at on of our House Of Lords seminars back in the 1990's.

Below are Hotson's 8 points why the imposition of your "**Inevitable** Austerity" measures failed to prevent the Depression which followed Gessell's predicted Crash of 1929, and his accurate, pinpointed date, for the commencement of World War II, which will, unless you change the present system based on interest & compound interest, **inevitably** lead to history repeating itself with a resumption of old hostilities under the guise of WWIII - the natural, obvious and **inevitable** corollary to Temple's, 1942 warnings about the "inherent - essential evil" in the way things were and still are being financed.

As mentioned these causes of war and conflict were well understood and explained by Silvio Gessell. On the eve of the signing of the Armistice in 1918 he published the following prediction in Zeitung Am Mitag.

"In spite of the holy promises of people to banish war once and for all, in spite of the cry of millions 'never again war' in spite of all the hopes for a better future I have this to say: - 'If the present monetary system based on interest and compound interest, remains in operation, I dare to predict today that it will take less than 25 years until we have a new and even worse war. I can foresee the coming development clearly. The present degree of technological advancement will quickly result in a record performance of industry.

The build up of capital will be fast in spite of the enormous losses during the war, and through the oversupply [of money] the interest rate will be lowered [until the money speculators refuse to lower their rates any further] Money will then be hoarded [causing predictable deflation], economic activities will diminish and increasing numbers of unemployed persons will roam the streets… within these discontented masses, wild, revolutionary ideas will arise and with it also the poisonous plant called 'Super - Nationalism' will proliferate. No country will understand the other, and the end can only be war again."

In the summer of 1988, Professor of Economics, John Hotson in his capacity as Chairman of C.O.M.E.R. the Committee On Economic & Monetary Reform, said in that organization's news letter: "Here we go again! John Crow, the new head of the Bank of Canada and Allan Greenspan, the new man at the Federal Reserve Board have given a lot of speeches and interviews lately saying that if there is one thing they can't stand it's inflation. So they are going to get inflation down to zero any-day-now, even if it kills somebody [or every body]! Yes, they are going to haul inflation down to zero with high interest rates. Now that's never worked before. The fact is that, we've had inflation in every year, but one, since the Bank of Canada was invented in 1934. The facts also suggest that if our political leaders allow Greenspan and Crow to play doctor with the economy that the result will be a replay of 1979-83 if we are lucky **or a re-run of 1929-39 if we are not.**

When you get right down to it, there are at least eight things wrong with the policy of trying to stop the price level from increasing by increasing the rate of interest.
(1) The Policy is immoral.
(2) The policy is illegal.
(3) The Policy is irrational.
(4) The Policy has surrendered North America's leadership to the Japanese.
(5) The Policy has made all our problems worse.
(6) The - Policy has caused the large U.S., Canadian [and British] foreign trade deficits.
(7) The Policy has increased the [fractional reserve] banking systems natural propensity to self destruct. And
(8) The Policy has resulted in a world wide debt crisis where our only choices appear to be between, world wide debt repudiation, depression, and accelerating inflation. Except for these shortcomings, high interest rates are a pretty good policy."

“Many economists rail against "wage push." and it's true that wages have risen by 2,700% over the past 50 years. But in the same period government tax revenues went up by 3,400% and net interest by **26,000%!** (More than 9 times that for the wages of most men and women) And yet most of the economic textbooks that deplore rising wages don't even mention these tax and interest pushes. And it's not because they are complex ideas but rather, that they are so simple and obvious—and because it would be so embarrassing for economists to admit they've made a boner of such magnitude: in that their theory of monetary policy violates the basic principles of all known scientific laws and logic.”

The formula for Interest pushed Inflation is as follows:-
The Money Supply (M) is issued as a Debt (D).
Therefore M = D.
However, the debt has to be repaid with interest (i).
So the formula expands thus: M + (x) = D + i
The money supply M must remain in equilibrium with Debt plus interest (D + i), through the increase represented by (x).
The variable (x) is solved as (r) the Rate of Inflation (i.e. an increase in the money supply) Copyright @ Latticework Management Consultants 2008.

So, David and Nick, as you can see we now know that the real formula which has cursed mankind down the ages is: M + r = D + I or Money supply plus inflation equal the debt plus interest, therefore, interest is the absolute cause of an inflating money supply and it is impossible for the debt to increase under interest without the money supply being inflated to balance the equation. Therefore the only legitimate target for the Bomber Harris award for architecture and “inevitable austerity” should be aimed at the Square Mile of London and all those within its borders responsible for M + r = D + I. which is the real cause of your £70 Billion deficit – therefore, you must go in there and plug that 26,000% drain on the economy rather than attacking the wages and incomes of those who actually produce **real new wealth and guard the health of the nation through the NHS. It is surely time for you both to declare – “Novae Tabulae” – a clean slate for all. Otherwise expect *bellum omnium in omnia* War of All against All.**

For the best model for a BIG SOCIETY look no further than the one designed by Thomas Jefferson:

Reform of the Virginia Constitution
To Samuel Kerchival
Monticello, July 12, 1816

Sir,—I duly received your favor of June the 13th, with the copy of the letters on the calling a convention, on which you are pleased to ask my opinion. I have not been in the habit of mysterious reserve on any subject, nor of buttoning up my opinions within my own doublet. On the contrary, while in public service especially, I thought the public entitled to frankness, and intimately to know whom they employed. But I am now retired: I resign myself, as a passenger, with confidence to those at present at the helm, and ask but for rest, peace and good will. The question you propose, on equal representation, has become a party one, in which I wish to take no public share. Yet, if it be asked for your own satisfaction only, and not to be quoted before the public, I have no motive to withhold it, and the less from you, as it coincides with your own. At the birth of our republic, I committed that opinion to the world, in the draught of a constitution annexed to the "Notes on Virginia," in which a provision was inserted for a representation permanently equal. The infancy of the subject at that moment, and our inexperience of self-government, occasioned gross departures in that draught from genuine republican canons. In truth, the abuses of monarchy had so much filled all the space of political contemplation, that we imagined everything republican which was not monarchy. We had not yet penetrated to the mother principle, that "governments are republican only in proportion as they embody the will of their people, and execute it." Hence, our first constitutions had really no leading principles in them. But experience and reflection have but more and more confirmed me in the particular importance of the equal representation then proposed. On that point, then, I am entirely in sentiment with your letters; and only lament that a copy-right of your pamphlet prevents their appearance in the newspapers, where alone they would be generally read, and produce general effect. The present vacancy too, of other matter, would give them place in every paper, and bring the question home to every man's conscience.

But inequality of representation in both Houses of our legislature, is not the only republican heresy in this first essay of our revolutionary patriots at forming a constitution. For let it be agreed that a government is republican in proportion as every member composing it has his equal voice in the direction of its concerns (not indeed in person, which would be impracticable beyond the limits of a city, or small township, but) by representatives chosen by himself, and responsible to him at short periods, and let us bring to the test of this canon every branch of our constitution.

In the legislature, the House of Representatives is chosen by less than half the people, and not at all in proportion to those who do choose. The Senate are still more disproportionate, and for long terms of irresponsibility. In the Executive, the Governor is entirely independent of the choice of the people, and of their control; his Council equally so, and at best but a fifth wheel to a wagon. In the Judiciary, the judges of the highest courts are dependent on none but themselves. In England, where judges were named and removable at the will of an hereditary executive, from which branch most misrule was feared, and has flowed, it was a great point gained, by fixing them for life, to make them independent of that executive. But in a government founded on the public will, this principle operates in an opposite direction, and against that will. There, too, they were still removable on a concurrence of the executive and legislative branches. But we have made them independent of the nation itself. They are irremovable, but by their own body, for any depravities of conduct, and even by their own body for the imbecilities of dotage. The justices of the inferior courts are self-chosen, are for life, and perpetuate their own body in succession forever, so that a faction once possessing themselves of the bench of a county, can never be broken up, but hold their county in chains, forever indissoluble. Yet these justices are the real executive as well as judiciary, in all our minor and most ordinary concerns. They tax us at will; fill the office of sheriff, the most important of all the executive officers of the county; name nearly all our military leaders, which leaders, once named, are removable but by themselves. The juries, our judges of all fact, and of law when they choose it, are not selected by the people, nor amenable to them. They are chosen by an officer named by the court and executive. Chosen, did I say? Picked up by the sheriff from the loungings of the court yard, after everything respectable has retired from it. Where then is our republicanism to be found? Not in our constitution certainly, but merely in the spirit of our people. That would oblige even a despot to govern us republicanly. Owing to this spirit, and to nothing in the form of our constitution, all things have gone well. But this fact, so triumphantly misquoted by the enemies of reformation, is not the fruit of our constitution, but has prevailed in spite of it. Our functionaries have done well, because generally honest men. If any were not so, they feared to show it.

But it will be said, it is easier to find faults than to amend them. I do not think their amendment so difficult as is pretended. Only lay down true principles, and adhere to them inflexibly. Do not be frightened into their surrender by the alarms of the timid, or the croakings of wealth against the ascendency of the people. If experience be called for, appeal to that of our fifteen or twenty governments for forty years, and show me where the people have done half the mischief in these forty years, that a single despot would have done in a single year; or show half the riots and rebellions, the crimes and the punishments, which have taken place in any single nation, under kingly government, during the same period. The true foundation of republican government is the equal right of every citizen, in his person and property, and in their management. Try by this, as a tally, every provision of our constitution, and see if it hangs directly on the will of the people. Reduce your legislature to a convenient number for full, but orderly discussion. Let every man who fights or pays, exercise his just and equal right in their election. Submit them to approbation or rejection at short intervals. Let the executive be chosen in the same way, and for the same term, by those whose agent he is to be; and leave no screen of a council behind which to skulk from responsibility. It has been thought that the people are not competent electors of judges *learned in the law*. But I do not know that this is true, and, if doubtful, we should follow principle. In this, as in many other elections, they would be guided by reputation, which would not err oftener, perhaps, than the present mode of appointment. In one State of the Union, at least, it has long been tried, and with the most satisfactory success. The judges of Connecticut have been chosen by the people every six months, for nearly two centuries, and I believe there has hardly ever been an instance of change; so powerful is the curb of incessant responsibility. If prejudice, however, derived from a monarchical institution, is still to prevail against the vital elective principle of our own, and if the existing example among ourselves of periodical election of judges by the people be still mistrusted, let us at least not adopt the evil, and reject the good, of the English precedent; let us retain amovability on the concurrence of the executive and legislative branches, and nomination by the executive alone. Nomination to office is an executive function. To give it to the legislature, as we do, is a violation of the principle of the separation of powers. It swerves the members from correctness, by temptations to intrigue for office themselves, and to a corrupt barter of votes; and destroys responsibility by dividing it among a multitude. By leaving nomination in its proper place, among executive functions, the principle of the distribution of power is preserved, and responsibility weighs with its heaviest force on a single head.

The organization of our county administrations may be thought more difficult. But follow principle, and the knot unties itself. Divide the counties into wards of such size as that every citizen can attend, when called on, and act in person. Ascribe to them the government of their wards in all things relating to themselves exclusively. A justice, chosen by themselves, in each, a constable, a military company, a patrol, a school, the care of their own poor, their own portion of the public roads, the choice of one or more jurors to serve in some court, and the delivery, within their own wards, of their own votes for all elective officers of higher sphere, will relieve the county administration of nearly all its business, will have it better done, and by making every citizen an acting member of the government, and in the offices nearest and most interesting to him, will attach him by his strongest feelings to the independence of his country, and its republican constitution. The justices thus chosen by every ward, would constitute the county court, would do its judiciary business, direct roads and bridges, levy county and poor rates, and administer all the matters of common interest to the whole country. These wards, called townships in New England, are the vital principle of their governments, and have proved themselves the wisest invention ever devised by the wit of man for the perfect exercise of self-government, and for its preservation. We should thus marshal our government into, 1, the general federal republic, for all concerns foreign and federal; 2, that of the State, for what relates to our own citizens exclusively; 3, the county republics, for the duties and concerns of the county; and 4, the ward republics, for the small, and yet numerous and interesting concerns of the neighborhood; and in government, as well as in every other business of life, it is by division and subdivision of duties alone, that all matters, great and small, can be managed to perfection. And the whole is cemented by giving to every citizen, personally, a part in the administration of the public affairs.

The sum of these amendments is, 1. General Suffrage. 2. Equal representation in the legislature. 3. An executive chosen by the people. 4. Judges elective or amovable. 5. Justices, jurors, and sheriffs elective. 6. Ward divisions. And 7. Periodical amendments of the constitution.

I have thrown out these as loose heads of amendment, for consideration and correction; and their object is to secure self-government by the republicanism of our constitution, as well as by the spirit of the people; and to nourish and perpetuate that spirit. I am not among those who fear the people. They, and not the rich, are our dependence for continued freedom. And to preserve their independence, we must not let our rulers load us with perpetual debt. We must make our election between *economy and liberty*, or *profusion and servitude*. If we run into such debts, as that we must be taxed in our meat and in our drink, in our necessaries and our comforts, in our labors and our amusements, for our callings and our creeds, as the people of England are, our people, like them, must come to labor sixteen hours in the twenty-four, give the earnings of fifteen of these to the government for their debts and daily expenses; and the sixteenth being insufficient to afford us bread, we must live, as they now do, on oatmeal and potatoes; have no time to think, no means of calling the mismanagers to account; but be glad to obtain subsistence by hiring ourselves to rivet their chains on the necks of our fellow-sufferers. Our landholders, too, like theirs, retaining indeed the title and stewardship of estates called theirs, but held really in trust for the treasury, must wander, like theirs, in foreign countries, and be contented with penury, obscurity, exile, and the glory of the nation. This example reads to us the salutary lesson, that private fortunes are destroyed by public as well as by private extravagance. And this is the tendency of all human governments. A departure from principle in one instance becomes a precedent for a second; that second for a third; and so on, till the bulk of the society is reduced to be mere automatons of misery, and to have no sensibilities left but for sinning and suffering. Then begins, indeed, the *bellum omnium in omnia*, which some philosophers observing to be so general in this world, have mistaken it for the natural, instead of the abusive state of man. And the fore horse of this frightful team is public debt. Taxation follows that, and in its train wretchedness and oppression…"

Looking forward to hearing that you have actually taken the time to consider these warnings and viable, workable alternatives in place of your "savage" and "Inevitable Austerity" package which will surely kill-off the patient. We await your comments with interest and invite you both to come and respond directly to our listeners – Nick it will be easy for you, as you are often in Sheffield, so please ask Barbara to call and make a date, to do a show with us here at Burngreave Community Radio, Sorby House, 42 Spital Hill. Unfortunately although you were cordially invited you failed to join our presentation of the facts with Global Vision 2000 at the House of Lords, on July 20th last year which covered this issue extensively.

With best regards, I remain
Yours sincerely
David M Pidcock

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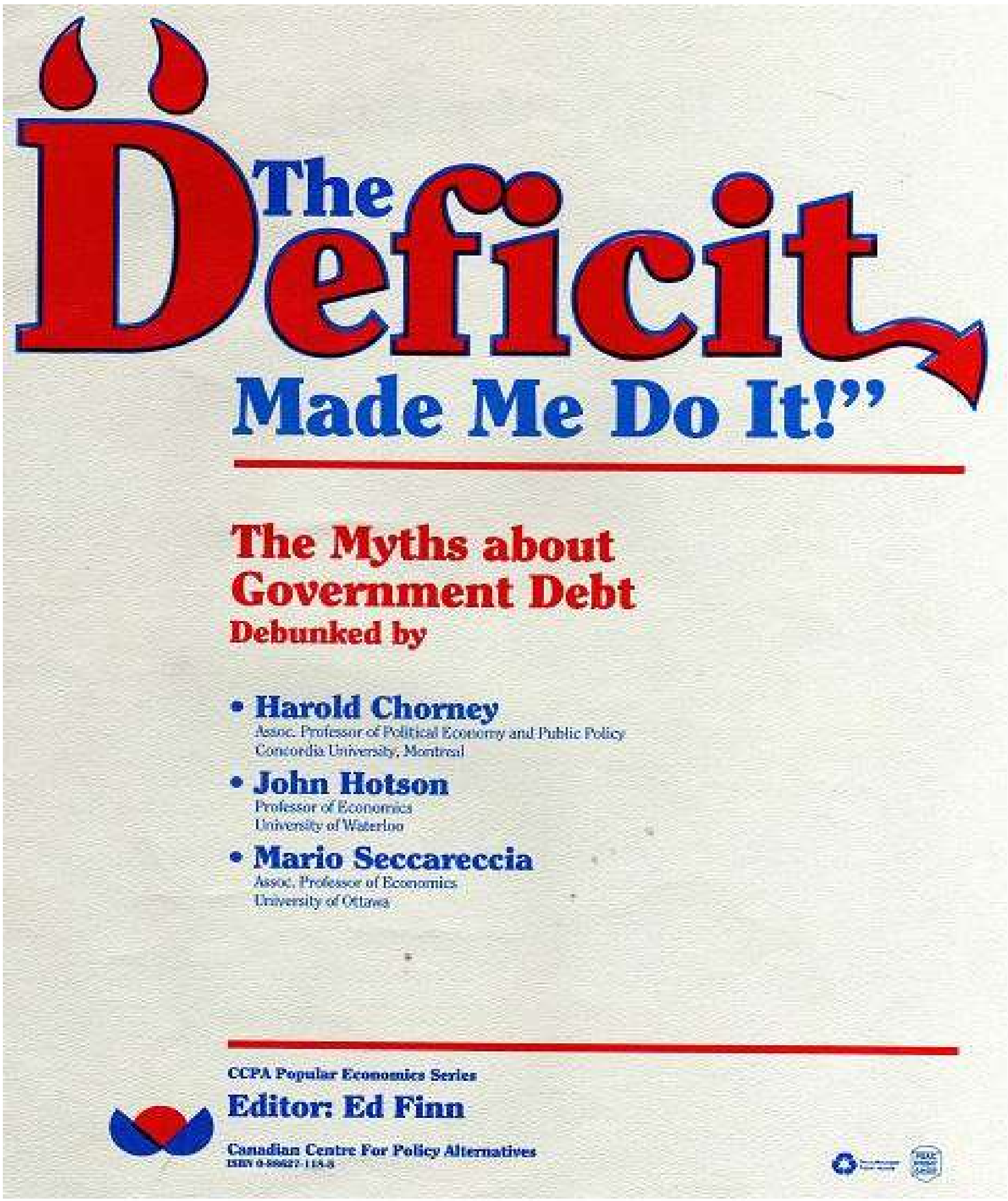
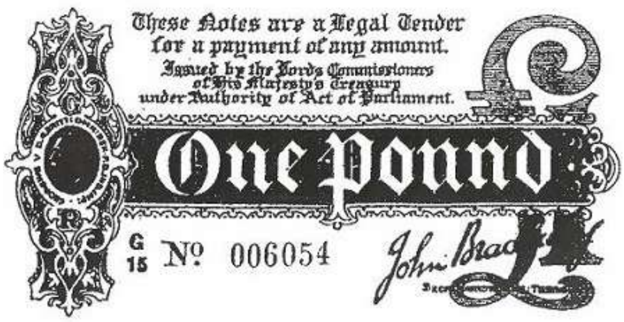


JOHN BRADBURY'S 1914 TREASURY NOTE SOLUTION



"Honesty, even if stupid, is a better foundation for credit than the most adroit finesse." Lord John Bradbury - Macmillan 1931

"The Deficit Made Me Do It!"

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INTRODUCTION

Governments these days find it easy to defend cuts in services and programs.

All they have to do is point to their annual deficits and their total accumulated debts.

In the case of the federal government, the annual projected deficit is about $30 billion and its net accumulated debt about $420 billion.

This public debt provides the politicians with a convenient excuse for cutting spending or raising taxes or both.

“We're broke,” they tell us plaintively. “We can't afford to increase public services, or even keep them at their present level.”

The same excuse is used to defend a failure to stimulate the economy and create more jobs.

That would sink us even further into debt, they protest. “We can't let the deficit get any larger.”

In their obsession with the monetary deficit, however, the politicians are ignoring the much more serious deficits that we are running up in our human capital and public infrastructure. It will benefit Canadians not at all if the price we pay for getting the financial deficit under control is the decline of our health care, our education, our social programs, and our public sector. These are the "deficits' we really should be concerned about!

The rise of the public debt over the past few decades has not been caused by excessive government spending. It has been caused by excessive interest rates that now siphon off one in every three dollars of our taxes. Spending on social programs has actually gone down in relative terms, as a share of GDP. So if controlling the deficit is necessary, it should be done primarily through interest rate reduction, not by under-funding and slashing the public sector.

Unfortunately, most Canadians either don't realize that the deficit is interest-rate driven, or if they do, believe that interest rates are set by uncontrollable economic and market forces. In any event, they are intimidated by all the dire warnings they hear about the dangers of deficit financing. They accept "the big lie" that governments must get out of debt, even if that means cutting services or raising taxes in the midst of a deep recession.

For too long government monetary policies have been excluded from public scrutiny and debate. The political and bureaucratic "high priests" who set these policies would have us believe they're too .complicated for average Canadians to understand. In fact, they are not at all difficult to grasp, when they're properly explained.

It's time to debunk the myths that have been spread about government indebtedness. It's time to question the politician’s feeble excuse that "the deficit made us do it "--or, more commonly, "the deficit won't let us do it.”

This booklet not only demystifies the deficit. It challenges the "logic" of current government priorities. It provides us with facts and figures justifying our demand that governments abandon the economic fallacies of the 1930's and start alleviating the economic misery of the 1990s. (And unless we change things those of the coming Millennium)

The political and financial "high priests" who set monetary policy would have us believe it's too complicated for average Canadians to understand. In fact, the ways that governments collect, borrow and spend money are not at all difficult to grasp, when properly explained.

"THE BIG LIE"

As the deep recession dragged into 1992, Finance Minister Don Mazankowski said he couldn't do anything about it. His hands were tied, he said. The federal government was broke. The cupboard was bare. The deficit and accumulated national debt were so enormous that his first priority had to be to reduce them--even if that meant prolonging the recession and making it even worse.

So his budget contained almost nothing to revive the sick economy. With interest payments on the debt gobbling up one-third of tax revenue, his response was to keep taxes high and axe more public services and agencies.

Like Martin Luther before him, Mazankowski in effect proclaimed: 'Here stand I. I cannot do otherwise."

But it doesn't take an economist to see that in fact he could. All you have- to do is imagine what the government would do if it got involved in another Gulf War--or if that war were still raging. Would Mazankowski have brought down the same kind of budget? Would he have said, 'We'd like to keep on fighting, but we're broke, so we're calling our troops back"? Not on your life!

Did Canada surrender half way through World War II because the national debt had grown even larger than the Gross Domestic Product? Of course not! Somehow the extra money was found. If it wasn't by raising taxes or borrowing from the private banks, why, the Bank of Canada simply created all the money the government needed-and at near-zero interest rates, too!

When World War II ended, the national debt relative to the national income was more than twice as large as it is now. But was the country ruined? Did we have to declare national bankruptcy? Far from it! Instead, Canada's economy boomed and the country prospered for most of the post-war period.

Why isn't the same thing happening today? Why was a much larger national debt shrugged off in 1945, while today's much smaller debt (as a percentage of GDP) is being used as an excuse to let the economy stagnate?

The answer can be found at the Bank of Canada. During the war, and for 30 years afterward, the government could borrow what it needed at low rates of interest, because the government's own bank produced up to half of all the new money. That forced the private banks to keep their interest rates low, too.

When World War II ended, Canada's national debt relative to national Income was twice as high as it is today. Yet the economy boomed and the country prospered for most of the post-war period

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Since the mid – 1970s however; the Bank of Canada, with government consent, has been creating less and, less of the new money while letting the private banks create more and more. Today our bank creates a mere 2% of each year's new money supply, while allowing the private banks to gouge the government--and of course you and me, as well--with outrageously high interest rates. And it is these extortionate interest charges that are the principal cause of the rapid escalation of the national debt. If the federal government were paying interest at the average levels that prevailed from the 1930s to the mid 1970s, it would now be running an operating surplus of about $13 billion!

Mazankowski and the Tory government he represents are engaging in a colossal flim-flam. He knows as well as we do that a sovereign government can always find money to do whatever it really wants to do: such as fight a costly war; or dispense billion-dollar handouts to profitable corporations. So what he was really telling us in his budget speech was that his government was willing to spend the money required to save Kuwait, but is not willing to spend the money needed to save the Canadian economy.

The finance minister, of course, would argue that, yes, the additional money could be found to stimulate the economy, but it would be inflationary. Having plunged the country into a deep recession in order to 'wring inflation out of the economy, the Tory government says it doesn't want to trigger another rise in living costs.

So the war on inflation is another war the government thinks is worth fighting, even after it's won. Even if its continuing anti-inflation measures have the effect of raising taxes and interest rates, while pushing down personal incomes and corporate profits (bank profits excepted. of course), and. throwing hundreds of thousands of Canadians out of work.

The toll of economic ruin and human deprivation exacted by the federal government and the Bank of Canada will become even more devastating if the counterproductive policies of restraint are pursued much longer.

If the federal government had been paying interest at the levels that prevailed prior to the 1980s, it would now be running an operating surplus of about $13 billion.

THE MYTH OF GOVERNMENT "OVERSPENDING"

Whenever an economic downturn requires more government spending, the hue and cry over "the deficit" breaks out anew. And this despite the obvious responsibility of the state, in times of low demand and high unemployment, to restore demand and create more jobs. In the process, unavoidably, the government deficit increases because its tax revenue drops during a recession while it must spend more to help the recession's victims.

Such was the situation during the Great Depression of the 1930's. Such was the situation in the recession of 1981-82, and now again in the much worse downturn of 1991-92.

The entire history of public indebtedness incurred to finance public activities is linked with the rise in our living standards over the last 100 years. Most of the credit is given to the private enterprise system. Far less appreciated is the fact that society has also benefited enormously from the roads, hospitals, schools, and other public facilities and programs that are provided by government - and which business needs as much as private citizens do.

Nevertheless, the myth persists that the public sector does not contribute to--but rather subtracts from--the overall wealth of the nation. It's a myth that underlies the fierce opposition of most business executives to deficit financing.

Their real objection is not so much to the deficit, per se, but to the expansion of the public sector that deficits permit. Lest there be any doubt about that, simply ask yourself whether the same outcry is raised about the growing reliance on credit (deficit financing by another name) on the part of both business and consumers.

In fact, the explosion of private credit has been far greater than the increase of public debt. Total private sector debt has soared by more than 14% a year over the past decade, compared with a much more modest growth of 6% annually in total public sector debt. Indeed, the combined debts of about $1,600 billion owed by households, corporations and financial institutions are nearly triple the debts owed by all levels of government!

Because of its far more vulnerable nature, this kind of private debt is much more risky and potentially serious than public debt. Still, apart from an occasional murmur about the overextension of credit to companies and individuals, hardly any criticism is heard. Certainly nothing to compare with the torrents of abuse and hysteria about the "evils" of public debt and the "dangers" of growing government deficits.

We are constantly warned by business people and media commentators that government deficits are now out of control" and have reached historic heights. "Is patently untrue". Measured against either personal income in the case of the provinces, or the GDP in the case of the federal government, the accumulated public debt is nowhere near the levels it reached during the 1930s or in the immediate post-war period. The current ratio of accumulated federal debt to the GDP, for example is 61%, which is just a little over half the ratio of 110% reached during World War II.

The increase of private credit has been far greater than the increase of public debt. The combined debts of households, corporations and financial Institutions are nearly triple the debts owed by all levels of government.

REPLAYING THE 1930s

The attack against deficit finance is essentially an attack against government, and it has been going on for the last hundred years or more. Literally thousands of artic1es and editorials in the commercial press since the early 1900s have decried government deficits and called for cuts in public services along with balanced budgets.

The media have been filled with horror stories about the disastrous consequences of 'uncontrolled government spending.' Ironically this anti-deficit uproar is even more pronounced during economic slumps than during times of prosperity. A review of the business press over the past 75 years makes this point very clearly. The predictable business response to a recession is to call for less, not more government spending. 'That was its response to the Great Depression of the 1930s, and the same corporate chorus of restraint and deficit reduction is being heard today.

Too many business leaders learned nothing from the 1930s. Their ideology remains unchanged. Their stubborn and doctrinaire refusal to consider opposing views make them no better guides to wise economic policy today than they were 60 years ago Unfortunately, it is their strident call for cutbacks and belt-tightening measures that is being heeded again by most governments--even 'though, in tough economic times, it is the worst possible course to follow. It is in fact a lethal prescription for recreating the widespread unemployment and suffering of the 1930s.

(The 11.1 % unemployment rate early in 1992 was not that far below the average 13% rate that prevailed from 1930 to 1939.)

What was so drastically false in the 1930s.is no less false today. It's not the deficit that causes recessions, high interest rates, and unemployment. Rather the converse is true. As unemployment rises, tax revenue declines even as the demand for government aid increases. And of course the higher that interest rates are pushed up, the more government revenue has to be dispensed in interest payments to support the debt.

Business leaders learned nothing from the Great Depression. Their demand for deficit reduction is a lethal prescription for recreating the widespread unemployment and suffering of the 1930s.

EXORBITANT INTEREST RATES

Real long-term and short-term rates of interest, though lower than they were in the 1980s are still far too high, given the decline in the inflation rate.

The unnatural and unjustified levels of these rates are exposed when we compare them with the average rate of real interest over the period from 1933 to 1985--1.4%.

There's a direct correlation between high real interest rates and high unemployment. For example, during the 1930s, the long-term real interest rate averaged 5.6%, and during the 1980s and early 1990s they've averaged 5.3%. Both of those decades were periods of high unemployment. In contrast the real rate of interest during the 1940s was only 1.896, during the 1950s 1.2% and during the 1960s 3.2%. These were all decades of low unemployment. Coincidence? Hardly

When the federal government has to pay interest on its debt of more than 6% in real terms, as compared with the historic level of 1.4% its costs are tremendously inflated and controlling the deficit becomes much more difficult. Indeed, a reduction to the traditional rate of 1.4% would save the federal government $6 billion in debt charges in the first year and $10 billion by the third year.

Thousands of years of sad experience with the concentration of wealth and debt slavery caused all the ancient books of wisdom--including the Bible and the Koran--to condemn the charging of immoderate rates of interest (or any at all).

But today we have a monetary system where money is a piece of paper or a byte in a computer's memory--a system where the money supply can be increased simply by borrowing it into existence from a bank. In such a system, inflation and the over concentration of wealth can only be avoided by charging a low rate of interest.

The conventional wisdom, however, is that inflation is the greatest threat to the economy and must be restrained by raising interest rates. This flies in the face -of the common-sense observation that rising prices (inflation) are caused by rising costs, and that Interest rates are costs. So raising them will raise prices, not lower them.

Also raised by this policy, of course, is the income of the money-lenders, which explains why they subscribe so fervently to the perverse doctrine that high interest rates are somehow anti-inflationary. Certainly the world’s bankers and other money-lenders have gained much from the nonsensical notion that, while giving workers a big raise is inflationary, giving money-lenders a big raise is not.

Many economists rail against "wage push." and it's true that wages have risen by 2,700% over the past 50 years. But in the same period government tax revenue went up by 3,400% and net interest by 26,OOO%!

Yet most of the economic textbooks that deplore rising wages don't even mention the tax and interest pushes. And it's not because they are complex ideas-rather, they are simple and obvious--but because it would be so embarrassing for economists to admit they've made a boner of such magnitude: that their theory of monetary policy violates basic principles of scientific logic.

The bankers have gained much from the nonsensical notion that, while giving workers a raise in pay is inflationary, giving money lenders a raise in interest rates and massive bonuses is not?

THE CREATION OF MONEY

One of the most pervasive myths about the government deficit is that governments which spend more than they receive in revenue must borrow the difference, thus increasing the public debt.

In fact a government can choose to create the needed additional money instead of borrowing it from the banks, the public, or foreigners.

Business and the conservatives in politics and the media are horrified by the suggestion that the government exercise its right to create more money. They claim it would precipitate another ruinous bout of inflation.

But money creation is money creation - whether by a private bank or the Bank of Canada; and a government in debt only to the government own bank is not really in debt at all. If it wants to go through the rigmarole of having the Treasury "borrow" from the central bank and, later pay interest that is a minor matter of bookkeeping. As long as the central bank's profits are returned to the Treasury, the results are much the same as if the Treasury had created the money itself.

When the Bank of Canada was brand new back in the 1930s, it produced most of the money supply from 1935 to 1939 and 62% of new money during the last years of World War II. This policy gave Canada the highest employment rate it has ever had, very low interest rates, and very low inflation.

After the war years, and up to the mid1970s, the Bank of Canada traditionally created enough new money to absorb (or "monetize") between 20% and 30% of the federal government deficit. Since the bank's conversion to monetarism in 1975, however, it has steadily reduced its share of the deficit, and therefore the broadly defined money stock. The ratio is now down to 7.5%

There is no reason why the growth of Canada's money supply (averaging about $22 billion annually in recent years) could not be more substantially created by the Bank of Canada. If that policy had been followed, the federal government would not have been obliged to add to its debts to pay interest on its old debts. Instead the Bank_of Canada has produced barely 2% of the money added in recent years, while the chartered banks added the rest as they made loans to households, businesses and all levels of government.

At the very least, the Bank of Canada and the chartered banks should share the privilege of creating money on a 50-50 basis.

Those who dismiss such a proposal as' "inflationary" should be required to explain why it would be more inflationary for the government's bank to create $11 billion and the private banks $11 billon, rather than the present practice of having the government's bank create $0. 7 billion and the private banks $21.3 billion!

Clearly the current problem of the Canadian government's deficit is not its absolute size, or its size relative to the GDP, **but the insane way it is being financed.** A return to the policies of the World War II era, when the Bank of Canada produced almost one-half of the new money at near-zero interest would do wonders for the economy while greatly shrinking the deficit. In light of these facts why do so many people still believe that large deficits cause economics problems, rather than being caused by economic stagnation and inordinately high interest rate? **No doubt this widely held misconception reflects the success of the sustained business attack on the deficit, but one would expect by now that many Canadians would begin to question the business community's infallibility.**

LOWER INTEREST RATES = LOWER DEFICIT = THE 3RD OPTION

According to the Mulroney government, there are only two ways to control the deficit. One is to raise taxes, and the other is to cut government spending.

But in fact there is a third way to reduce the interest rate. The Bank of Canada can set the rate of interest at which it lends to the chartered banks at any number it chooses, and it can peg the rate on government bonds, too. This was evident during World War II when it set the rate on Treasury bills at as little as 0.36%, and on longer term bonds at less than 2.5%. And this was at a time when government deficits were as much as 27% of Canada's GDP and the money supply was increasing at a 20% rate each year.

At present the deficit is less than 5% of GDP, and would not even exist at all if the Central Bank had not raised interest rates beyond all reason. In doing so, the Bank forced Ottawa to pay as much as 20.8% on three month Treasury bills when the bank was perfectly capable of creating all the money the government needed at just 0.36%, as it did in the 1940s.

Canada has been compared to a Third World country such as Mexico that must continue to borrow just to make its interest payments. But our federal government finds itself forced to borrow from private Canadian banks and citizens to meet interest payments set at needlessly high rates by another arm of government the Bank of Canada.

This is an outrageously artificial state of affairs. The Third World countries at least face a real obstacle, since the financial terms and conditions for their debts have been set by outside banking institutions such as the International Monetary Fund and the World Bank., over which they have no control. In Canada, on the other hand, the current “crisis” of our federal deficit has been manufactured by none other than the high interest-rate policy of the Bank of Canada.

In its early years, the Bank did a fairly good job of holding down interest rates and serving the public interest. **But, over the past few decades, the Bank has become the "wholly controlled subsidiary" of the private banks, rather than their overseer – THEIR MASTER BECAME THEIR SERVANT.** That is why it now lets the private banks create all but a tiny fraction of the nation's money supply, and let their income from interest grow many times faster than any other form of income.

To illustrate just how **inexcusable** the misconduct of Bank of Canada officials has been, economist Jan Kregel suggests comparing the Bank with the Coca Cola Company. This is a company run by executives who obviously know what needs to be done to earn a high rate of return for their shareholders. They've got a secret cola formula that guarantees their product will account for at least half of all soft drink sales world wide. Now imagine a new management taking over Coca Cola. This new bunch gives the secret formula to Pepsi, free. They tell soft drink consumers that Pepsi is better for them, anyway. Then they shut down most of their bottling plants. **Not surprisingly, their market share plummets from 50% to 2%.**

The size and repayment of Third World countries' debts are determined outside their borders by the International Monetary Fund and the World Bank. In Canada, on the other hand, the size and repayment of our government debts are determined by the Bank of Canada.

This scenario, of course, would never play itself out. Long before the new gang of management wreckers could go this far to destroy Coca Cola, **the stockholders would have thrown the rascals out, and probably have them jailed for breach or trust.**

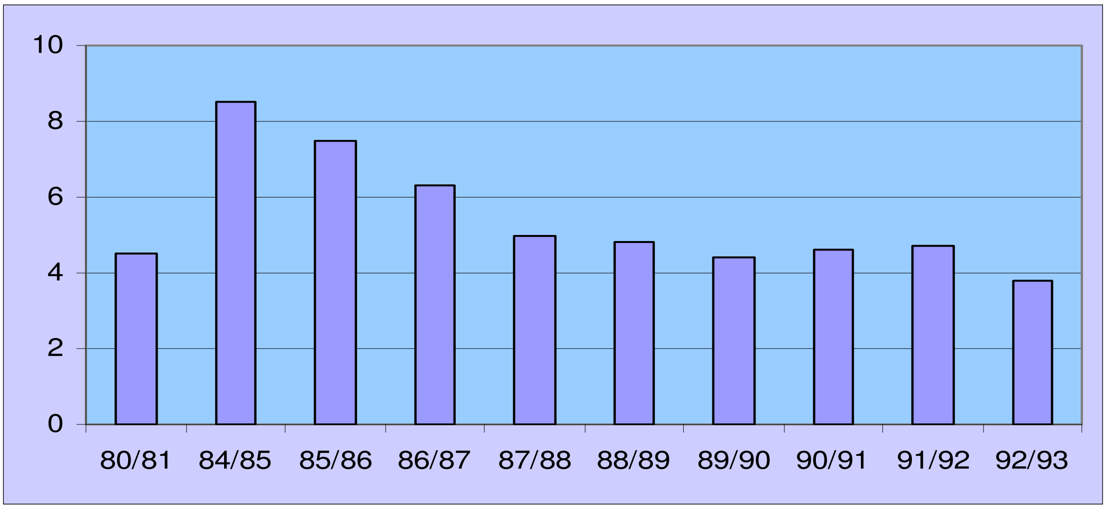
A far-fetched analogy? Not at all.

We, the citizens of Canada are the “stockholders” of the Bank of Canada, and we should be just as outraged by the Bank's antics in recent years as our hypothetical Coca Cola shareholders would have been. Because the Bank of Canada was set up and for many years operated on our behalf to keep interest rates at a reasonable level. It was an efficient low – cost “money machine” before it was subverted by the inefficient high – cost private banks it was supposed to regulate.

The first order of business for a post Mulroney-era government must be to regain effective control of the Bank of Canada and make it the primary source of money creation.

Continued….

Deficit as % of Gross Domestic Product



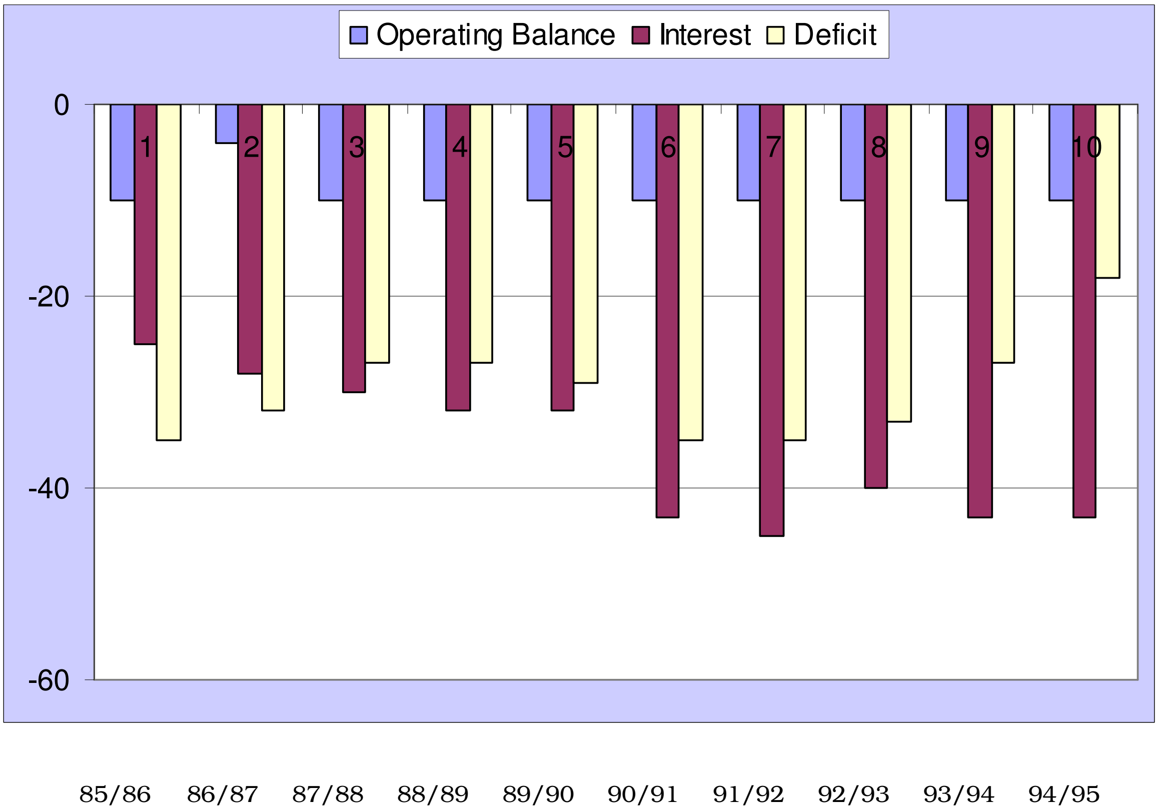
THE "MERCHANTS OF DEBT"

Some of the severest critics of government deficits are themselves “merchants of debt.” Take bankers, for instance. Not only is society perpetually in debt to them, but they are also perpetually in debt to society. Even in the best of times, only some 5% of the assets of a bank are matched by the bank's equity. The rest is debt-financed-money owed to depositors. '

A banker who forecloses on a farmer who can't pay his bills, while the banker is himself insolvent, is in a dubious moral position. How to lessen his guilt? Why, denounce the national debt and he'll feel better.

Never mind that the government has a far better asset-to-liability ratio than the private sector. Never mind that the national debt grows more slowly than other forms of debt except during wars and depressions. Never mind that the only way to prevent depressions when private borrowing dries up is for the government to spend more than taxes are bringing in. Never mind that a banker lecturing the rest of us against debt is like an arsonist warning us against playing with matches, Make a speech demanding that the government stop going into debt to fund public services, and you're sure to be applauded by your business, political and media soul-mates.

Composition of Annual Deficits ($Billions)



THE "CROWDING OUT" MYTH

Another business - supported myth is that high deficits "crowd out" private investment. There might be a grain of truth in that claim if large-scale government borrowing and spending took place during economic boom times, thus eating up money that private investors might otherwise use to expand production.

Our current debt situation, however, occurs in an environment of large-scale unemployment, low consumer demand, and the underutilization of people and resources. As such, there is no way that government indebtedness or spending can displace private initiatives, because such initiatives are not being taken. Rather, the wise infusion of government funds in such hard times can stimulate economic activity and benefit both the unemployed and the private sector.

Closely tied to this fallacy is another one – that deficits damage the economy by reducing national savings. But there is no evidence to support that allegation, either. On the contrary, past experience points in the opposite direction.

Large deficits in the 1980s were accompanied by high rates of savings, while small deficits (and even surpluses) in the 1960s were accompanied by low rates of savings. Even though the current savings rate of 10% is down from a high of 18% reached in the early 1980s, it is still at a comparatively high level, even with the deficit.

Nor is Canada's savings rate unreasonably low by international standards. Over a recent seven year period, the net savings rate by households in Canada was 9.7% of net national income, compared with 6.2% in the U. S., 4.5% in Britain, and 8.9% in Germany.

Savings of course, have a worthwhile social function. They permit households to invest in consumer durables and housing, and thus boost the economy and create jobs. However, savings that are not invested for this purpose - such as those in bank deposits - are going to waste. They're unproductive.

A banker lecturing a government about debt is like an arsonist warning us against playing with matches.

Any country in which unemployment rises as high as it is now in Canada is trying to save too much through the acquisition of financial assets. It is trying to save more than investors and other spenders are willing to spend in order to achieve full employment. In such circumstances, there is only one way that the economy can be stimulated so that the needed additional jobs are opened up Governments must step in and fill the spending vacuum.

A private debt that generates future wealth is considered justifiable. So should a public debt that is incurred to create jobs.

PUBLIC DEBT, PRIVATE DEBT: THE DIFFERENCE

One of the most enduring deficit myths is that there is no difference between private debt and public debt, or the "burdens" they impose. In fact, the two forms of indebtedness are entirely different.

In the case of an individual or a company, for example, the debt is owed to outsiders and therefore can legitimately be considered a burden, since it must be repaid out of future income. Default can lead to bankruptcy.

In the case of Canada as a country, on the other hand, most of the debt incurred is not owed to outsiders, but to its own citizens and financial institutions, who consider the government's debt an asset. Furthermore, unlike an individual or a company, a country like Canada just doesn't go bankrupt.

The other often-overlooked aspect of government debt is that its "burden" is largely offset by the government's own assets. Debts secured by assets are investments in the future wealth of the economy. Our network of highways, transit systems, hospitals, ports, airports, power plants, universities, schools, public buildings, Crown lands and natural resources all represent enormous wealth-producing assets. Yet the government's public accounts value these assets at the nominal value of $1.00. Clearly this is absurd - just as absurd as the often heard claim that “the government is broke.”

If households or corporations kept their accounts like that, it would mean that people could never borrow to buy a home, or companies borrow to invest in new plant and equipment.

Did you ever hear of a corporation that doesn't have large outstanding debts? Of course not. It makes no sense not to borrow if you are making capital investments. If the federal government followed the sound accounting practices that business firms and households do, it would only deduct each year's depreciation charges, not the full amount of new capital spending.

The only sense in which private debt and public debt are comparable is that in both cases the future cost of debt repayment can be measured against the future stream of benefits.

A private debt that generates future wealth is considered justifiable. But so is a public debt that is incurred to create jobs. If the debt is not incurred, a government's future income will be lowered by the extent to which it is necessary to meet the needs of those left jobless by the lack of social capital investments.

Every road, school, hospital or airport that is neglected today simply guarantees a more expensive burden for the future.

Critics of the deficit often bemoan the "legacy of public debt" that we are bequeathing to future generations. Those future generations, however, will be much worse off if, instead of a deficit, we leave them a country plagued by ill-health, poverty, joblessness, decrepit schools, and a crumbling infrastructure. A balanced budget will not be viewed as an adequate substitute for social and economic security.

Critics of the deficit say it's unfair to pass our debts on to future generations. Those future generations, however, will be much worse off if instead of a deficit, we bequeath them a country plagued by ill-health, poverty, joblessness, poor education, and crumbling highways.

HOW BIG IS THE DEFICIT, REALLY?

The size of the federal deficit is grossly exaggerated by the failure to make the necessary adjustments for inflation, for "double counting" and for the normal ebb and flow of the business cycle. If the deficit or even the accumulated federal debt of $420 billion--were properly accounted for, it would be considerably smaller. Our concern should be with the real debt--that is, the debt adjusted for inflation.

It stands to reason that the deficit should be reduced by the annual rate of inflation, since the repayment in each succeeding year is made in deflated dollars.

The deficit should also be reduced by separating from it all the debt held by the Bank of. Canada and other federal government bodies ($23 billion), as well as the debt held by provincial governments and municipalities ($22 billion). It makes no sense to count as a burden interest payments made to other branches of the Crown. .

Adjusting the deficit to the business cycle reflects the inevitable drop in government tax revenue that is caused by a recession, its consequent rise in unemployment, and the need for more government spending for social assistance.

It is misleading to judge the size of the deficit without taking these factors into account. Some economists say that, if these adjustments were all made, as they should be, the real deficit would be down from $31 billion to less than $ 10 billion. And the remaining deficit could be converted into a sizeable surplus if the many tax concessions and handouts to profitable companies and wealthy individuals were eliminated, and interest rates brought down to a reasonable level.

Attempts to revive the private sector by savaging the public sector are equivalent to the ancient medical practice of bleeding a haemophiliac in order to try and "cure" the patient.

"RESTORING CONFIDENCE"

The federal government tries to defend its spending restraints during a recession by arguing that deficit reduction is necessary to 'restore business confidence" in the economy that:-

The premises of such a policy are that:-

(a) **only by restoring business confidence can the economy be revitalized and:-**

(b) **any cuts in public services or employees that flow from such spending restraints would be good for the private sector.**

<u>These two assumptions are complete myths.</u>

Let's concede that business confidence is important. No one denies that. But consumer confidence is equally important. It would be futile for business to produce more unless consumers were willing .to buy more, no matter how “confident” business might become as the result of a lower deficit.

Public sector cutbacks do not build consumer confidence. They may appease the government's business supporters, but they make average citizens and workers very uneasy--particularly if they involve the layoff of public employees.

[2010 NOTE: DUE TO THIS SAME INFANTILE ANALYSIS WE SEE THESE SELF-SAME DELUDED POLICIES IN THE PROCESS OF BEING REINTRODUCED!]

In our mixed capitalist economy, the public sector employs up to 25% of the work force. Government restraint that leads to job losses in schools, hospitals, municipalities, and other public institutions are rapidly spread through the whole economy, causing a multiplier-effect loss of private sector jobs. Thus, for every increase in business confidence that may follow public sector cutbacks, there will be an equal or greater offsetting loss of consumer confidence.

Moreover, because of the interdependence of the public and private sectors in Canada, cuts in one inevitably spill over into the other, both through direct job loss and reduced spending. Attempts to revive the private sector by savaging the public sector are equivalent to the medieval practice of bleeding to "cure" the patient.

Business people don't seem to realize that income support programs such as pensions, unemployment insurance, and social assistance are essential to sustain a strong demand for private sector goods and services.

In opposing such government programs, they help to bring about the very decline in their own profits which they so piteously lament.

Restoring business confidence in the economy is important. But it would be futile for business to produce more unless consumers were willing and able to buy more no matter how "confident" business might become as the result of a lower deficit.

BIG BUSINESS - BIG BROTHER

The only "reason" left for us to be concerned about the deficit is because most of the big corporations want us to be concerned about it. **By deluding us that the deficit is a serious problem, they legitimize their broader attack on the public sector and public services-which are their real targets.**

- Instead of-attacking the role of government head on, the neoconservative leadership of the business community seeks to reduce the role of government and slash social programs by convincing us that otherwise the deficit will soar out of control and the sky will fall.
- **(In the United States, incidentally, David Stockwell and other officials with the Reagan administration now openly admit that, at the behest of their corporate friends, they deliberately increased the deficit so that it would justify later cuts in social program funding!)**
- The case for spending cuts rests on the dubious claim that Canada can no longer afford to retrain its workers, to relieve poverty, to improve education, to keep its people healthy, to protect the environment, or maintain its public infrastructure.
- Yet, for want of such government spending, children go hungry, students drop out of school, workers lack needed skills, people without jobs turn to crime, pollution poisons our air and water, and congestion chokes our cities.
- The deficit in public spending the failure to invest in social capital--will in the long run be much more serious and impose a much greater burden on our children and grandchildren than will the federal deficit that politicians and executives so shrilly denounce.
- Indeed, it will not only degrade the quality of life for millions of Canadians, but it will have a crippling effect on Canada's productivity and competitiveness.

Productivity, we're continually reminded by business after-dinner speakers, depends on growth in capital per worker. But three kinds of capital are needed to ensure that workers are productive: private capital, such as factories and machines; human capital, such as education and training; and public capital, such as roads, airports, schools, and other parts of the infrastructure.

Human and public capital--which business tends to overlook--are surely just as important as private capital. In fact, in a global economy, where private capital transcends national boundaries, there are only two competitive advantages any country can give itself--a highly skilled work force, and an efficient public infrastructure.

The case for spending cuts rests on the dubious claim that Canada can no longer afford to keep its people healthy: well-educated, and gainfully employed.

THE FACT IS THAT OUR PUBLIC SPENDING IS MUCH TOO LOW!

Why all the panic about government spending in Canada, anyway? By international standards, our public spending is quite modest--and our spending on social programs disgracefully inadequate.

According to the latest available data, Canada's social spending accounted for 21.5% of GDP. This compares with a 25.6% average for the major industrialized nations, and with a 30% average among the countries of the European Community.

At its present downward slide, social spending in Canada will fall even further to just 17.3% of GDP by the year 2000. That would be the second lowest among the Group of Seven countries, only marginally above the projected U.S. level of 16.4%.

By contrast, France and Germany are predicted to be spending nearly twice that percentage on their public facilities and social programs by the end of the decade.

Canada's inadequate social spending is reflected in its poverty rate, which is among the worst among the Western nations. While 12% of Canadians are officially poor, the rate in Germany, Sweden, Norway and most other European countries is less than 6%.

The most shameful figure, of course, is that over half of Canadian children in one-parent - families live in poverty--which is from three to five times more than the comparable rates in Europe.

THE FULFILMENT OF WILLIAM COBBETT’S WARNING ABOUT: “STARVATION IN THE MIDST OF ABUNDANCE”

In the new global economy, there are only two competitive advantages any country can give itself – a highly skilled work force and an efficient Infrastructure.

HOW TO LOWER THE DEFICIT

No one denies that the deficit and the level of public indebtedness is a cause for concern. What has to be clearly understood, however, is that it's a problem caused mainly by unjustifiably high interest rates.

To illustrate the key role of interest rates, all we have to do is compare the effects of borrowing $1 million at 2% and borrowing the same amount at 10%. At 2% it would take 36 years of compound interest for the $1 million to double to $2 million. But at 10% interest, the same loan would generate a $1 million return in just seven years! And in 36 years it would double and redouble five times to $32 million!

The folly of the federal government's current high-interest rate policy may be grasped by calculating what the deficit would be like today if interest rates had been held to just a few points above the, Cost of Living Index, which was its historic level before the Bank of Canada launched its "holy war" against inflation. **This year's deficit would not only be completely eliminated, but the government would actually have a $13 billion surplus!**

It is ludicrous for the government to put billions of dollars into circulation by borrowing from the private banks, when it can create the extra money it needs, virtually free.

We have to keep in mind that our monetary economy only grows when the money supply grows. Under the present debt-driven system, the only way we can increase the money supply is by borrowing it into existence from the private banks, thereby increasing our indebtedness to, them.

It can't be stressed too much that the private banks, unlike non-bank lenders, create the money they lend. They do not - as is so widely imagined, even by the bankers themselves- lend their depositors' money. The amount of new money created by a bank loan, however, is only sufficient to pay back the principal. No money is created to pay the interest, except that which is paid to the holders of bank deposits.

That's why debts must continually grow faster and faster in order for each layer of additional debt and interest to be paid. Indeed, the higher the rate of interest, the faster the money supply must grow if the economy is not to stall. If the system ever stops growing, or even drastically slows down, it crashes.

The latest available data show that spending on social services in Canada accounts for 21.5% of our GOP. This compares with a 25.6% average for the major industrialized nations, and a 30% average among the countries of the European Community.

If that strikes you as a very dumb and dangerous way to operate a monetary system, you're absolutely right.

Clearly it would be much safer and more sensible to have at least a large amount of the needed new money spent into circulation debt free by the federal government--or lent by it interest free to, the junior levels of government which lack the power to create money.

Reform of the monetary system is therefore the key to controlling the deficit and lowering the public debt. It would also help to increase government revenue.

Can this be done without adding to the tax burden on low- and middle income Canadians? **Certainly!** We have an extremely inequitable tax system that allows the wealthiest individuals and business firms to escape paying their fair share of taxes. A truly fair tax system would correct this inequity. It would add billions to the government's coffers without penalizing Canadian workers.

A wealth tax, for example, would net the federal government $3 billion a year. Repealing the capital gains; tax deductions would bring in another $3 billion.

Repealing the 5% tax credit to manufacturing firms, the fast write-offs of capital investments, the tax subsidies for real estate developers, the subsidies for business meals entertainment, the subsidy for business lobbying and advertising--these would yield a combined $ 7 billion to the federal Treasury.

The kind of fair tax system created by these and other reforms would not only make profitable corporations and the rich pay taxes on the same basis as the rest of us. It would also help immensely to get rid of the public debt that corporations and the rich are always complaining about!

A truly fair tax system would not only make the rich pay their fair share of taxes; It would also help immensely to get rid of the public debt the rich are always complaining about.

Harold Chorney Assoc. Professor of Political Economy & Public Policy,
Concordia University Montreal, Quebec, Canada.
John Hotson Professor of Economics – University of Waterloo, Ontario, Canada
Mario Seccareccia, Assoc. Professor of Economics. University of Ottawa. Canada
May 1992.

(Ends)

Post Script

Its worth repeating Silvio Gessell's Government Wealth Warning – dated November 11th 1918 which appears too be the only permanent solution to the problems we continue to face today: "In spite of the holy promises of people to banish war once and for all, in spite of the cry of millions 'never again war' in spite of all the hopes for a better future I have this to say: 'If the present monetary system based on interest and compound interest, remains in operation, I dare to predict today that it will take less than 25 years until we have a new and even worse war. I can foresee the coming development clearly. The present degree of technological advancement will quickly result in a record performance of industry. The build up of capital will be fast in spite of the enormous losses during the war, and through the oversupply [of money] the interest rate will be lowered [until the money speculators refuse to lower their rates any further] Money will then be hoarded [causing predictable

deflation], economic activities will diminish and increasing numbers of unemployed persons will roam the streets…within these discontented masses, wild, revolutionary ideas will arise and with it also the poisonous plant called 'Super Nationalism' will proliferate. No country will understand the other, and the end can only be war again."

It is, therefore, of great importance that you are reminded of the earlier attempts by Captain Henry Kerby, MP to bring to the attention of the nation the way in which the problems of the money-supply could be solved by returning the issue of all money in all its forms back to the Crown. It would then be put into circulation free of all debt and interest payments. Captain Kerby was one of the witnesses that gave evidence on this subject before the Radcliffe Committee in I957. Later on, in the House of Commons on the 14th of January, 1964, Captain Kerby, put down the following Motion which we recommend to the house.

"The Emission of all Means of Exchange"

> **"That this House notes with approval the patriotic actions of Mr. Wickliffe B. Venard, Senior, Lieutenant-General P.A.del Valle, Mr. Jerome Daly and other Americans in presenting a legal complaint to the United States Courts whose purpose is to enforce the issue of money only by Congress in accordance with the Constitution, thus preventing the further emissions of the means of exchange by private financiers as a debt at interest and for their sole benefit at the cost of the State and people, the money to be issued constitutionally and as a public service, and to be spent and not lent into circulation, thereby removing an immense and illegal burden on the nation and unjustified private control over public and private life through the control of all money and its values and distribution; and calls upon Her Majesty's Government to do likewise and return to the sovereign power and duty of coinage, and emission of all means of exchange, in accordance with ancient traditions, to Her Majesty the Queen."**

On the 22nd.December, 1964, Captain Henry Kerby MP., put down the following further Motion in the House of Commons, relating to -

> **"The Emission of All the Means of Exchange'**
>
> **"That this House considers that the continued issue of all means of exchange be they coin, bank-notes or credit, largely passed on by cheques by private firms as an interest-bearing debt against the public should cease forthwith; that the Sovereign power and duty of issuing money in all forms should be returned to the Crown, then to be put into circulation free of all debt and interest obligations, as a Public service, not a private opportunity of profit and control for no tangible returns to the British people and that the volume of money be controlled so as to maintain stable prices:**
>
> **"That the nationalization of the Bank of England did nothing to solve this problem as the bank only serves a subsidiary purpose and almost all money is still created out of nothing by a mere book entry by private banks: "That the aims of those who want to assure private**

property and free enterprise, as well as those who want to protect the British people from unfair exploitation, would be best served by restoring the power of issuing money to Her Majesty the Queen, in accordance with ancient tradition and law, as is also demanded by the American Constitution which gives the right of issue solely to Congress, so as to assure the State and Nation the benefits of that emission and relieve them of the immense and growing burdens of a parasitical National and private debt; and to make certain that control passes to the taxed and is taken out of hands of the present hidden and unlawful beneficiaries of taxation, much of the proceeds of which they collect as interest on all money and immense debts. And, therefore, this House calls upon Her Majesty's Government to introduce the required legislation, to assert the proper sovereignty of the Queen in Council in this most important of all sovereign functions, to assure unprecedented prosperity with true sovereignty and liberty".

In 1962 The Findings of the First Report of - *The Christian Doctrine of Wealth Committee of the Congregational Union of Scotland* – were presented at Dundee spells out the problem and it's solution in no uncertain terms: "As the result of our investigations we have come to the following conclusions: -

1. **We believe that the existing system of debt-finance, whereby practically all money comes into circulation as an interest bearing debt, is prejudicial to human well being, is a drag on the development and distribution of wealth, finds no justification in the nature of things, and perpetuates a wrong conception of the function of money in human society.**

2. **We believe that the virtual monopoly of credit enjoyed by the banking system is contrary to reason and justice. When a bank makes a loan, it monetises the credit of a creditworthy customer – admittedly a necessary service. But when it has done this, it hands him back his monetised credit as a debt to the bank plus 6, 8 or 9% *[inter-est].* There seems to be an anomaly here masked by use and wont [i.e. custom and habit] that calls for examination. The true basis of credit is found in the assets of the nation – men, labour, skills, natural resources and the enormous power for production now in human hands.**

The creation and function of money ought to bear a strict relation to these physical facts, and to nothing else.

3. **We believe that the existing system constitutes a barrier to peace and disarmament. It involves the trade war with resulting international friction. It requires the priming of the financial pump through the colossal expenditure on armaments in the cold-war situation. By this means vast sums are put into circulation without a corresponding production of consumer goods. It seems difficult to deny the assertion of Professor Galbraith and others that without the expansion of the economy in this way there would be economic collapse in the U.S.A. and in this country. Since we are confident that it is not beyond the wit of man to devise a system from which these features are absent, we would urge that it is an imperative Christian duty to press for the introduction of such a system."**

In 1942, Archbishop William Temple had already made it clear that: "The trend towards war is inherent in the internal economy of the modern nation. The essential evil in the ordering of

European life has been the inversion of the proper relations between finance, production and consumption…"

Temple, like Robert Boothby, of whom more later, clearly understood that all such problems were (and still are) directly related to fractional reserve - debt based money and finance - compounded by interest, together with the worship of money and the apotheosis power that tends to corrupt, and the marauding rapacity of London bankers. Many eminent military figures, including Napoleon, understood how debt compounded by interest caused war, economic melt-down, and social disorder; one such being Lt.-Colonel J. Creagh Scott D.S.O., O.B.E. who, in 1937, included the following in an address to the Bon-Accord Congregational Church, in Aberdeen – currently referred to as: "The Baby Peter / Edligton Effect".

> **"If a father withholds from his children food and clothing which he either possessed or may acquire, and allows them to suffer from the diseases which may result from under-nutrition and neglect, he is treated as a criminal; but when this is done on a national scale, when millions are deprived of the food and raiment which we either possess or can produce, and when our men are reduced to the nullity of dole-existence, and our women to the nullity of illegal practices, we flatter ourselves upon our moral and economic sanity…(whereas) if we were sane, we should never rest till we discovered why consumption is never permitted to consume production; until, in short, we finance consumption…For the ONLY effective service that can be given is to clear the road between production and consumption of the thieves and fools that now infest it. In the present position of things, social service may well become a cloak to hide our moral cowardice…"**

The Case of 'Baby Peter' is a 21st century manifestation of the age-old parliamentary fetish which calls for the expenditure of people in preference to the spending of money – as a result of which – in the words of John Ruskin: "Society becomes rotten to the core".

PPS

Money is like oxygen – you don't miss it till you're not getting any. What elected governments should be seeking is not evermore "Efficiencies" and or "value for money" but money to facilitate life for people and the real economy. Money must come to be viewed as a social service – like the supply of oxygen in the air – which is the most vital element known to man – without which life could not exist beyond a few moments and which is (at least for the moment) free to all - and yet we insist on restricting its supply as if it were a finite natural resource which at any time might dry up through some natural disaster or sink irretrievably into the earth with no alternatives. And nowhere is this better described than in following plan endorsed by Abraham Lincoln

<u>1865. ABRAHAM LINCOLN'S 18 POINT MONETARY DECLARATION</u>

1. Money is the creature of law and the creation of the original issue of money should be maintained as the exclusive monopoly of national Government.

2. Money possesses no value to the State other than that given to it by circulation.

3. Capital has its proper place and is entitled to every protection.

The wages of men (however) should be recognised in the structure of and in the social order as more important than the wages of money.

4. No duty is more imperative for 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 cheap and safe exchanges.

5. 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 for the issue of currency must be developed, and some means other than that of 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.

6. The monetary needs of increasing numbers of People advancing towards higher standards of living <u>can and should be met by the Government.</u>
Such needs can be served by the issue of National Currency and Credit through the operation of a National Banking system.

7. 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, Redeposit, and otherwise.

8. Government has the power to regulate the currency and credit of the Nation.

9. Government should stand behind its currency and credit and the Bank deposits of the Nation. No individual should suffer a loss of money through depreciation or inflated currency or Bank bankruptcy.

10. Government possessing the power to create and issue currency and credit as money and enjoying the right to withdraw both currency and credit from circulation by Taxation and otherwise <u>need not and should not borrow capital at interest as a means of financing Governmental work and public enterprise.</u>

11. 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.
12. By the adoption of these principles the long felt want for a uniform medium will be satisfied.

13. The taxpayers will be saved immense sums of interest, discounts, and exchanges.

15. 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.

16. The people can and will be furnished with a currency as safe as their own Government.

17. Money will cease to be master and become the servant of humanity.

18. Democracy will rise superior to the money power.

Abraham Lincoln 1865. He was assassinated 3 days later – surprise? surprise?

One year earlier, he had foreseen the forces that would eventually assassinate him and subvert these policies: "I see in the near future a crisis approaching which unnerves me and causes me to tremble for the safety of my country. Corporations have been enthroned, an era of corruption will follow, and the money power of the country will endeavor to prolong its reign by working upon the prejudices of the people, until the wealth is aggregated in a few hands and the republic destroyed". Abraham Lincoln. Nov 21st 1864

In Winston Churchill's 1932 Budget Proposal (or "HIDEOUS OPPRESSION" speech) to the House of Commons, he disclosed the full extent of a "deeply unfortunate" but equally avoidable state of affairs. Which he correctly blamed on Britain's convoluted monetary system - which still remains in force - and for uncritically accepting the advice of people like Montagu Norman – the longest serving Governor of the Bank-Of-England, Treasury experts, and other comptrollers and representatives of private central banks like Bernard Baruch in the United States who had a vested interest in *interest* and in seeing the discredited gold standard restored. Of which Churchill lamented:-

"When I was moved by many arguments and forces in 1925 to return to the gold standard I was assured by the highest experts, and our experts are men of great ability and of indisputable integrity and sincerity…that we were anchoring ourselves to reality and stability; and I accepted their advice. I take for myself and my colleagues of other days whatever degree of blame and burden there may be for having accepted their advice. But what has happened? We have had no reality, no stability. The price of gold has risen since then by 70 per cent. That is as if a 12-inch foot rule had suddenly been - stretched to 19 or 20 inches, as if the pound avoirdupois had suddenly become 23 or 24 ounces instead of - how much is it? – 16? Look at what this has meant to everybody who has been compelled to exe cute their contracts on this irrationally enhanced scale. Look at the gross unfairness of such distortions to all producers of new wealth, and to all that labour and science enterprise can give us. Look at the enormously increased volume of commodities which have to be created in order to pay off the same mortgage debt or loan. Minor fluctuations might well be ignored, but I say quite seriously that this monetary convolution has now reached (such) a pitch where I am convinced that the producers of new wealth will not tolerate indefinitely so hideous an oppression…" (Source. HANSARD Vol. 264, Date 21ST of April 1932).

Unfortunately, F.G. Hawtry did not seem to figure among the Treasury officials advising Churchill in 1925; if he was, then his words would seem to have been either suppressed or fallen on stony ground. Hawtry, an Assistant Secretary to the Treasury admitted where Churchill's convoluted problems originate: "Banks" he said "create money and trade depression arises from faults in the banking system in the discharge of that vital function."

The banks are the ultimate Forge Masters - Forgers of our vital money supply – it is they and not Sheffield Forgemasters that need to be deprived of their UN status because what they have been granted is an UNjust, UNwarrantable, privilege – of being allowed to reap where they never sowed – it is they, and they alone, who are UNaforgeable – not the 99.99% of us existing in the real world in the economy. Furthermore please stop acting like NATO – No Action Talk Only.

DMP - BCR103.1FM

THE DEFICIT MADE ME DO IT

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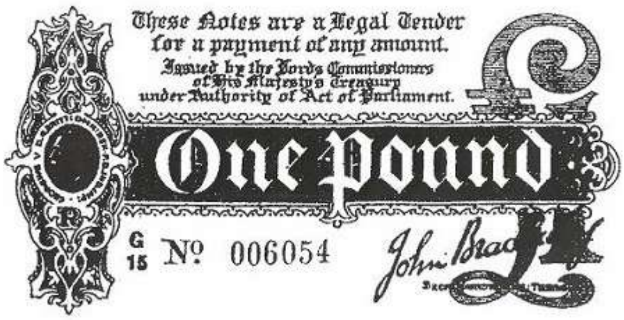
JOHN BRADBURY'S 1914 TREASURY NOTE



"Honesty, even if stupid, is a better foundation for credit than the most adroit finesse."

FROM LORD JOHN BRADBURY'S 1931 DISSENTING MEMORANDUM – IN THE MACMILLAN REPORT

Mrs Beaton said – "First catch your rabbit" However, a country which accepts that 76% of ALL crime is alcohol related, and yet does nothing to correct the nation's preferred way of anaesthetising itself from the pressures of debt and despair will find it difficult to wean itself off the approved national sedative. This will only happen with the abolition of debt and interest which is the root cause of it's insatiable drive to drink."
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