

THE LIVING AGE



CONTENTS for February, 1934

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The LIVING AGE was established by E. Littell, in Boston, Massachusetts, May, 1844. It was first known as LITTELL'S LIVING AGE, succeeding *Littell's Museum of Foreign Literature*, which had been previously published in Philadelphia for more than twenty years. In a prepublication announcement of LITTELL'S LIVING AGE, in 1844, Mr. Littell said: "The steamship has brought Europe, Asia, and Africa into our neighborhood; and will greatly multiply our connections, as Merchants, Travelers, and Politicians, with all parts of the world; so that much more than ever, it now becomes every intelligent American to be informed of the condition and changes of foreign countries."

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Here is the case for inflation, written last summer by one of England's foremost inventors as the foreword to a recently republished pamphlet that bears the same title as this article.

The Bankers' Conspiracy

By ARTHUR KITSON

From *The Bankers' Conspiracy*.
Published by Elliot Stock, London

JUDGED by its effects upon the industrial and social affairs of Great Britain, the Cunliffe Currency Committee's report, issued in the month of August, 1918, is the most important document of the late war and post-war periods. This document advised the adoption of certain monetary policies that were accepted by the coalition government of Mr. Lloyd George in 1920 under the chancellorship of Mr. (now Sir) Austen Chamberlain and is directly responsible for the most disastrous period in the industrial history of this country.

Notwithstanding the ruinous results of the deflationary policy recommended in this report during the years immediately following its adoption, Mr. Winston Churchill intensified these evils by establishing the gold standard in 1925, which precipi-

tated the great strike of 1926. In 1924 another committee was appointed, composed of Sir Austen Chamberlain, chairman, Mr. Gaspard Farrer, banker, Mr. A. C. Pigou, professor of Economics at Cambridge, and the two Treasury officials, Sir John Bradbury and Sir Otto Ernst Niemeyer, to report on the terms and conditions for handing over the control of the currency note issues to the Bank of England as recommended by the Cunliffe Committee.

If the present world crisis can be traced to the currency deflation policy pursued by the central banks of the great industrial nations since the War, Great Britain must be held mainly responsible for having taken the lead in the adoption of this suicidal measure. And the men who should be held responsible to the British people for urging the

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government to embark on this reactionary course are the members of these two committees.

II

In every branch of human study experience is the only reliable test of theories. The experience of this country since the adoption by the government of the report has surely demonstrated the ruinous effects of the financial policies recommended by the Committee. Indeed, the results have proved so appalling, that even many of those who originally advocated the reestablishment of the gold standard monetary system, like Sir Basil Blackett, and endorsed the Committee's report, like Lord D'Abernon, have become critics of this system. The gold standard, reestablished in 1925, after inflicting untold losses upon our industrial classes and taxpayers, had to be abandoned six years later to save the country from ruin.

The same policies as those recommended by the Committee have also been tried in other countries since the War and with similarly ruinous results: hence the present world crisis. By the universal adoption of the gold standard after its recommendation by the Cunliffe Committee, which was one of the main policies advocated by the League of Nations, an irresponsible super-government was created, composed of a group of international bankers. It required only a few years to prove the utter incapacity of these men to manage the world's financial affairs, and if the people of all civilized countries are not yet convinced of the terrible dangers attending the supremacy of the banking interests there will be a repetition of the economic disasters of the past few years—

but of a much more intensive character. The present Governor of the Bank of England is one of the few members of this group candid enough to admit that the present situation is 'beyond him' and that he can see no solution. And yet he seems unable to realize that the present crisis is almost entirely due to the policy he and his associates abroad have been pursuing for some years past.

Early in the War, in conjunction with Mr. Wilfrid Hill, the first president of the Birmingham Business Club, and Mr. Ernest Payton, the financial director of the Austin Motor Company, I formed the Banking and Currency Reform League of Birmingham, under the auspices of which numerous meetings were held both in London and in the provinces for the purpose of warning the public and the government against the policy which I foresaw the London bankers would endeavor to establish as soon as peace was declared. Among our members were Lord Desborough, the late Moreton Frewen, M.P., and T. B. Johnston, Esq., the well-known pottery manufacturer of Bristol, who organized several meetings for us at Bristol and elsewhere. This League entertained the late Sir Edward Holden—the founder of the Midland Bank—at the last luncheon party he ever attended, at the conclusion of which he gave us a most interesting account of the way the War had been financed.

He was a severe critic of the Bank of England and of the Bank Charter Act. As our League advocated the repeal of the act, Sir Edward gave us his support, although he did not endorse our entire programme. In his speech at the luncheon referred to, at which I presided and which was given

at the Savoy Hotel in London, Sir Edward stated that 'with nine-tenths of Kitson's gospel I am in full accord.'

I mention these particulars in order to show how baseless have been the assertions of certain statesmen and bankers that 'the present crisis was not and could not have been foreseen by anyone.'

Moreover, it required no exceptional gift of foresight to foretell the inevitable consequences of the revival of the gold standard after the War and of the scarce-dear-money policy that has been pursued by the Bank of England with the approval of the Treasury officials and chancellors during most of the post-war period. Any intelligent reader of the industrial and financial history of this country for the last century could as readily have predicted the present period as the writer himself. Dozens of examples of the ruinous results of money and credit contraction could be mentioned from the experiences of the various industrial nations within living memory. But the best illustration is the post-war period after the battle of Waterloo. As the direct result of Lord Liverpool's and Sir Robert Peel's gold-standard policy, this country experienced thirty years of industrial depression and unemployment culminating in the 'hungry forties.' And as Disraeli stated on several occasions, England was only saved from final ruin by two accidents: the discovery of gold in California and Australia in 1849 and 1850, which, by providing a large increase in the volume of money, —to-day it would be termed 'inflation,'—reversed the policy of Peel and brought about an era of prosperity.

Similarly the demonetization of silver after the Franco-German war

resulted in currency deflation with the accompanying evils of low prices, trade depression, unemployment, and general social misery. Civilization was once more saved by the currency expansion brought about by the gold discoveries in South Africa.

III

It may be stated as a general truth that *currency expansion—whether in the form of the precious metals or legal tender paper money—has always promoted industrial prosperity.* On the other hand, *every period of currency contraction—especially when enforced by legislation—has resulted in industrial stagnation and social misery. No country has ever succeeded in restoring prosperity without an increase in the purchasing power of the public.*

Orthodox writers are fond of dwelling on the disasters accompanying periods of monetary inflation, such as occurred in Germany after the War and in Russia after the Revolution. These writers are careful to avoid mentioning that in both these cases the inflation was deliberate on the part of the authorities. In the one case it was adopted to get rid of Germany's internal war debts, and in the other to destroy the Russian private traders by making the ruble valueless. *The increase of money supplies for the sole purpose of assisting trade and production has always proved beneficial to mankind.*

Monetary inflation may be beneficial as well as an evil, and in the case of Germany it proved ruinous to the rentier class and to the idle rich. But it was during this period that the German manufacturers were able to redesign their works and install

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the most up-to-date machinery with the result that to-day Germany is the best-equipped nation in the world for production of manufactured goods. *Inflation has never ruined any nation.* On the other hand, monetary deflation ruins the wealth-producing classes upon whom the very existence of a country depends and, if the policy is continued, is bound to bring that country to destitution.

The monetary system, as advocated in the report of the Cunliffe Committee and as practised by the Bank of England for the past ten years, belongs to the age of scarcity when trade was a mere bagatelle to what it has since become. When Sir Robert Peel introduced the Bank Charter Act of 1844, England was the only country using gold *exclusively* as the basis for its currency. Other nations employed silver, although paper money was extensively used in America.

Scientific discoveries and inventions during the past half-century have revolutionized the world's economic system, and the present crisis with which the world is now afflicted is due to the attempt of governments and international bankers to employ an antiquated currency system to function in the present age of plenty. It is analogous to the London water companies, trying to use the same water mains employed a century ago for distributing water to London's present population.

Lord D'Abernon—who was formerly a banker—has described the present crisis as a 'money crisis.' He adds: 'It is the stupidest and most gratuitous in history. All the essential circumstances, except financial wisdom, favor an era of prosperity and well-being. Crops are more abundant

than ever before; science has developed production beyond all precedent; inventiveness has discovered new processes in industry, increasing the power of man over nature, enabling him to produce far more at less cost. But the incapacity to adjust vehicle to burden and means of payment to requirements has brought about a crisis, so that many are starving in a world of plenty while all are oppressed with the same sense of depression and inability to meet the situation. The explanation of this anomaly is that the machinery for distributing the products of labor has proved quite inadequate.'

Money is the life blood of trade and commerce, and, unless there is an ample supply to meet the growing demands of trade, enterprise is checked, trade is depressed, and the public are unable to secure and enjoy the abundance of the necessaries and good things of life, which inventors and scientists have been able to provide. The eminent Oxford scientist, Professor Frederick Soddy, states that the gold-standard monetary system has wrecked a scientific age. Whereas modern science and inventions have harnessed the forces of nature to man's control so that an abundance of every form of wealth can be readily provided, the world's bankers have stepped in and placed a barrier between production and consumption. They have not been content to take their share of modern wealth production, great as it has been, but they have refused to allow the masses of mankind to receive theirs and participate in the wonderful results. In consequence, millions of pounds' worth of products have been destroyed. Corn has been used for fuel. Coffee has been

thrown into the sea. Fruit has been allowed to rot. Hundreds of tons of fish have been thrown overboard. In fact, the world's productive capacity has been slackened to a mere fraction of what it could have been by the refusal of the bankers to furnish the public with enough tickets (which we call money) to enable the producing classes to distribute the wealth produced.

So important is money to our economic life that Sir Archibald Alison in his *History of Europe* attributes the 'thousand-year night of Europe,' commencing with the fall of the Roman Empire, to the absence of money, which was destroyed or lost during the barbaric invasions. During this long dark period, civilization declined, and practically everything of a coöperative character that required the use of money, such as coöperative manufactures, road construction, bridge building, et cetera, almost entirely ceased.

The same writer also attributes the great awakening of the fifteenth and sixteenth centuries known as the Renaissance, during which trade, and learning, and civilization were revived, to the discovery of silver in the Peruvian mines, which gave to the world a medium of exchange.

IV

It is worth while to notice the names and professions of the members of this Cunliffe Committee. It will be seen that with the exception of Sir John Bradbury, Professor Pigou, and Mr. Upcott every member was connected with the banking profession. Moreover, it is well known that the Treasury officials work always in harmony with the policy of the Lon-

don bankers. So much is this the case that we have recently seen several of them—including Sir John Bradbury and Sir Otto Ernst Niemeyer, who also occupied a very important and influential position in the Treasury both during and after the War—becoming directors of banking institutions. Not a single representative of manufacturing, agriculture, or labor was invited to become a member of this currency committee.

In no other business or profession—save that of banking—would the government of any civilized country so brazenly offend the public sense of justice as to appoint a committee composed exclusively, or even mainly, of members engaged in that particular business to determine the legal privileges that such a business should enjoy. What would people say if the government of this country were to appoint a committee drawn exclusively from the brewers or whisky distillers to determine the character of our licensing laws, or a committee composed exclusively of criminals to determine the criminal laws? And yet this sacrifice of the public interests on behalf of the money-lending profession has been the policy of every British government for the last century.

We have seen but recently the Prime Minister, Mr. Ramsay MacDonald, obeying the call of the Governor of the Bank of England as obediently as an ordinary bank messenger boy. We have witnessed a shameful surrender of British interests to the United States over the debt question by a former prime minister, Mr. Stanley Baldwin, at the bidding of the same representative of private vested interests—Mr. Montagu Norman. We have recently seen the gov-

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 In his *Modern*
 Lord Bryce said:

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ernment reimbursing the shareholders of the Bank at the expense of the taxpayers for losses incurred on their foreign loans to Austria.

Nor is this humiliating spectacle confined wholly to this country. Two years ago Sir Otto Ernst Niemeyer, a director of the Bank of England, undertook a visit to Australia to instruct the people of that self-governing colony as to the financial policy they must carry out in order to meet the wishes of the London group of money-lenders. And with the exception of the former premier, William Hughes, the Australian politicians and government officials actually received this impudent address with all humility and a promise to obey the instructions.

One wonders whether the spirit of independence and freedom, with which the Anglo-Saxon race was once possessed and for which it was famous, has been destroyed by this modern spirit of commercialism.

Since commencing this foreword, I have read with great pleasure the declaration of the London Chamber of Commerce and the Federation of British Industries protesting against the reëstablishment of the gold standard. In spite of all the undeniable disasters and general social misery that this fraudulent system has created the international bankers, constituting what is known as the 'money power,' are still plotting to restore gold as the god of all wealth. They know that only by means of a commodity standard that they are able to control will they dominate the world's industries and trade. This is their ultimate object.

In his *Modern Democracies* the late Lord Bryce said:—

'Democracy has no more persistent or insidious foe than the money power to which it may say, as Dante said when he reached in his journey through Hell the dwelling of the God of Riches, "Here we found Wealth, the great enemy." That enemy is formidable because he works secretly by persuasion or deceit, rather than by force, and so takes men unaware. He is a danger to good government everywhere.

'The truth seems to be that democracy has only one marked advantage over other governments in defending itself against the submarine warfare that wealth can wage—publicity and the force of public opinion. So long as ministers can be interrogated in an assembly, so long as the press is free to call attention to alleged scandals and require explanations from persons suspected of an improper use of money, or an improper submission to its influences, so long will the people be at least warned of the dangers that threaten them. If they refuse to take the warnings, they are already untrue to the duties that freedom prescribes.'

Unfortunately, the safeguards of public freedom—publicity and the force of public opinion—are rapidly being controlled by the money power. The press of this country is almost entirely in the hands of the banking interests, while the cinema and the radio are also similarly controlled. It is also known that by a recent ruling of the speaker questions regarding the policy and constitution of the Bank of England that affect the public welfare are not allowed to be put in the House of Commons.

Here is a private trading company to which has been given by Mr. Baldwin's government the absolute

control of the public's money system, a corporation owned by a number of shareholders who are under no obligation to publish their names or holdings, a company that can adopt any policy its directors see fit, that is under no obligation to meet the needs of British trade and industry, that is international in character, that has the power to loan and does actually loan British credit to foreign countries to build up rival industries to those of this country, that can raise or lower the bank rate for its own interests and so penalize the British public, that can depress trade and increase unemployment or revive trade and reduce unemployment without any interference from the government and without any obligation to explain its conduct.

And this international corporation rules the British nation, whose people have proclaimed for the last two centuries that they 'never, never will be slaves.'

The control of money means the control of human life. Without money a man loses his right to life and freedom. In the eyes of the law being without visible means of support is a crime. All debts—including rates and taxes—are payable not in goods, which the people are free to produce, but in an instrument that no man is permitted to create outside of the banker. And although the government demands a revenue in currency of over seven hundred million pounds per annum, it makes no effort to provide the public with the necessary volume, nor does it obligate the Bank of England, to which it has handed over this priceless monopoly, to do so.

As Sir Basil Blackett, a director of the Bank of England, and a former

advocate of the Cunliffe Committee's report, has recently written in his book, *Planned Money*:—

'When it is remembered that kings and governments have throughout the ages insisted with jealous care on their prerogative of issuing money and controlling currency within their jurisdiction, it is somewhat strange to find modern states accepting as axiomatic a limitation of their sovereignty in the sphere of money so far-reaching in its effects on their own powers and on the daily lives of their citizens, as is involved in their agreeing to conform in all circumstances to a standard of value over which they have no control.'

Fortunately for civilization, the world's economic disasters have compelled thousands of intelligent people to study this money problem, which has hitherto been purposely shrouded in mystery by the leaders of finance and their paid hirelings—the city editors and the economists. The international bankers' game is being exposed to the public of all nations.

'We cannot allow our economic life to be controlled by that small group of men whose chief outlook upon the social welfare is tinged by the fact that they can make huge profits from the lending of money and the marketing of securities—an outlook which deserves the adjectives "selfish" and "opportunist."'

This quotation from a recent work by President Roosevelt is the most hopeful outlook both for the American public and for the world at large. Will our politicians have the intelligence and the wisdom to follow the President's lead?

I doubt it.