

## ORDEAL BY BANKING

would be a safeguard based on indisputable constitutional tradition.

(g) A third count against the bankers is that they have *exercised undesirable pressure on the nation's representatives*, and have *undermined the essential freedom of the press*.

In parliament, they have persuaded three successive Prime Ministers to refuse to grant an inquiry into monetary policy in the face of a demand for it voiced by bodies including the British Federation of Industries and the Council of the Central and Associated Chambers of Agriculture.\*

In the press, their influence has made a mockery of its "freedom." The unanimity of City Editors in singing the praises of the gold standard and puffing the prestige of so-called "financial experts" has only been equalled by the efficiency with which critical views have been suppressed.

"Newspapers have become one of the most available instruments by which the Money Power can make itself felt in politics."†

(h) *The banks have made a change in the money of the realm without the advice and consent of Parliament.*

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\* Eventually granted 1929.

† Bryce: *Modern Democracies* V. I., p. 123.

**ORDEAL BY BANKING :**  
**The Test of a Constructive Policy**

# Ordeal by Banking:

## The Test of a Constructive Policy

*By*

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## PREFACE

Since the collapse of the post-war boom, there has grown up a widespread belief, not confined to students of political science, that an artificial deficiency of purchasing-power is the root cause of stagnant industry and trade.

The discovery that this deficiency is inevitably produced in the course of production by a defect in the accepted methods of loan and cost accountancy is due to the work of an engineer, Major Clifford Hugh Douglas. The analysis of the defect and the principles which must be adopted to rectify it were originally published in *Economic Democracy*; and have been indicated and developed more recently not only in later books but also in the evidence Major Douglas was invited to give before the Standing Committee on Banking and Commerce in Ottawa, 1923, and before the MacMillan Committee in 1930.

Those who have realised the immense importance of this discovery believe that Major Douglas has found the clue by which we can escape from the financial labyrinth in which political leaders and financial

experts alike appear to be lost. From time to time an attempt has been made to draw attention to the defect which has been disclosed and the remedy which has been suggested. This book in its original form (1924) was a memorandum for private circulation amongst Conservatives and represented such an attempt.

There are two reasons why the ideas in the original memorandum should now reach a wider public. First, the disciplined contentment of the nation has been dangerously undermined by a misguided financial policy which now threatens to break down the loyalties and destroy the ideals which form the cement of civilised society.

Secondly, while the so-called financial experts follow their destructive path, Conservatives seem disposed to acquiesce in silence, because they fear to be charged with Socialist principles which they rightly detest. Criticism of the Bank of England has unfortunately been loudest when inspired by a desire to destroy this wonderful structure built up by British enterprise. The Socialist has used the evils resulting from a misguided policy as an excuse for demanding that the institution which has been the instrument for that policy should be placed under Socialist control. The Bank of England has come near to ruin-

ing the nation by pursuing anti-national aims. Yet, the Bank of England and the Joint Stock Banks may be seized by a Socialist government in order to serve yet more effectively the purposes of those whose loyalty is to every country but their own.

Conservatives, however, have too readily accepted the assumption of their timorous leaders that criticism of banking policy involves an acceptance of Socialist doctrine. No assumption could be more misleading, nor one more paralysing to the initiative and effort of those who wish to see the resources and power of the British banking system devoted successfully to the service of the national interest.

Our ancestors did not achieve religious toleration by abolishing the Church; nor political freedom by abolishing the Throne. The characteristic gift of England to the art of government has been the principle that the aims and policy of any institution, however tyrannical it may grow, can be deflected and harnessed to the service of the nation without any violent destruction of the institution itself. Thus, in order to ensure that banking policy shall in future be directed in the national interests, it is no more necessary to socialise the Bank of England than it was found necessary to make England republican in order to obtain

guarantees from the Monarch that he would serve the State.

The paralysis which has been creeping since the War over British agriculture, British industry, and British trade, and now attacks British finance, has coincided with the pursuit of anti-national and super-national aims by those who have been in a position to control British banking policy.

If England is to maintain her greatness, and to defend successfully her cherished traditions, it is clear that national policy must now be devoted less to the pursuit of Utopian plans for international agreement, and more to the tragic needs and thwarted ideals of the individual English home. It is to a similar task that the governments in the Dominions should turn their hand. This is the task which is demanded from British administration\* wherever it serves the family now grown into the British Commonwealth of Nations. Only thus by her exertions will England save herself; and only thus by her example can she save civilisation.

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\* "No constructive work in India was more important than banishing pauperism." Mr. Gandhi, *The Times*, Oct. 3, 1931.



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