

# SCOTLAND AND ITS MONEY

JAMES GIBB STUART

DESIGN EDITOR: C. MORRISON  
FIRST PUBLISHED JULY 1991

ISBN 0 907251 01 3

COPYRIGHT © 1991 JAMES GIBB STUART

*John Dunlop – Publisher*

17 RANDOLPH CRESCENT EDINBURGH EH3 7TT

## Debt burden

Sir, — Your editorial ("Novel, but SNP might need more", 21 June) believes my proposal to write off public sector housing capital debt is a "novelty" and that there are other more "relevant and practical" items on which the SNP could bargain in a hung parliament.

You reveal an ignorance that is contemptible. A total of 87,000 council houses suffer from dampness in Glasgow, and at present rates of investment it will take 300 years to remedy the problem. In Scotland, 120,000 children suffer from dampness-related chest illnesses.

Capital debt is a crippling burden. This year Glasgow will be allowed to invest about £100 million in its housing stock. Last year the city paid out £119 million in interest charges on a capital debt of £976 million.

For each £1 of rent paid in Scotland, on average 64p goes in servicing debt charges. In Glasgow it is 75p.

If you attended my surgeries, or indeed read past reports in your newspaper about places like Corkehill, where dampness makes life a hell upon earth for families, you would realise that writing off the debt isn't a novelty, but a necessity.

In addition to dampness there is the crying need for more sheltered housing, investment in new-build to replace rented stock lost through right to buy policies, and of course the scandal of the homeless.

Given the scale of the human misery involved, which can only be relieved by such a sensible proposal as debt write-off, how can you attack people like me, yet report without any comment that Labour thinks my idea unrealistic while, however, it is proposing to spend billions on Trident?

**Jim Sillars, MP**  
HOUSE OF COMMONS, LONDON  
20 JUNE

*A valid point  
- but how?*

*Here is the  
answer . . .*

## CONTENTS

FINANCING INDEPENDENCE	5
WHO SHOULD CONTROL THE CREDIT	7
BORROWING TO PAY THE INTEREST	10
FACING UP TO THE BANKERS	13
SPELLING OUT THE ADVANTAGES	15
ISSUE OF THE "BRADBURY'S"	17
"THE GREAT WAR LOAN RAMPS"	21
THE SCOTS AS A UNIQUE NATION	24
COLONIAL SCRIP AND GREENBACKS	26
AUSTRALIA'S COMMONWEALTH BANK	28
ALL A MATTER OF THE NATIONAL WILL	31

## I FINANCING INDEPENDENCE

WHEN I was active as an SNP candidate during the sixties, I found myself quoting Sir Robert Menzies' oft-repeated dictum that "*there can be no independence without financial independence*". Menzies was one of Australia's great Prime Ministers, and what he said in his day is just as valid now. In the long history of independence movements, it will be seen in retrospect that far too much has been said and thought about the politics of power, too little about its financial structures. Yet the hard reality is that the Agency which holds the purse strings invariably calls the tune and comes to dominate both the social life and the economy. I have always maintained that if Scotland is once again to take her place among the nations, it should be on the basis of true sovereign independence, not as a region of devolved authority within some larger entity.

I know there are attractions for some in snatching a measure of Scottish autonomy within an integrated European Community, and there are others, professedly the moderates, who would settle for Devolution within the existing United Kingdom. It seems to me that neither of these proposals addresses itself to the essential issue, which is where and how the newly re-established nation would get its money. If Jacques Delors had his way, it would be through a European Central Bank sited in Brussels or Strasbourg, and dominated by German or French bankers with their own sets of priorities. Scotland's needs would have to join the queue along with the depressed areas of northern Spain or the reviving infrastructures beyond the Berlin Wall.

Under Devolution the prospect is no more inviting. A

devolved Scottish parliament would have to frame its budget estimates within whatever pool of funds was allocated from the central exchequer in London. We should continue to be at the mercy of that Treasury clique which drives up interest rates and flattens nationwide expectations whenever there is a housing and consumer boom in the south of England.

## 2 WHO SHOULD CONTROL THE CREDIT

SO how do we become truly free? How do we aspire to being a truly sovereign nation? Go back to what Sir Robert Menzies said, that *there can be no independence without financial independence*. This means in effect that no nation has sovereign status which does not control and issue its own money. From the days of renegade Scots financier William Paterson, who founded the Bank of England in 1694, all credit has been seen to emerge from the private banking system as a debt upon the community. Thus debt and indebtedness have to go on accumulating and can only be alleviated by widescale bankruptcies and closures at times of social and industrial distress. Staggering National Debts are being sustained and financed, to the detriment of their peoples, by most of the industrialised countries of the Western World, and in the lesser-developed 'South' poor producer nations face crippling financial sanctions when they default on their interest payments to American or European bankers.

Independence? Is Peru independent, after the chairman of a New York mega-bank told her recently that if she did not service her loans, she could be removed from the map entirely? Is Mexico independent, with equity in her vast oilfields being progressively turned over to foreign creditors as down-payments on non-performing debt? Nigeria? The Phillipines? Colombia? Nicaragua? All nominally sovereign states, having their own elected parliaments - or nepotistic domestic dictatorships - all sending their nominated representatives to the U.N. and other international bodies; but all also beholden to foreign bankers from whom, through credulity or pressure, they have saddled themselves with billions of dollars of irredeemable loans!

Is that what we want? All the panoply and ceremony of statehood; all the trappings and the pomp . . . all the form without the substance! None of the debtor nations, whatever its official status, has any real control over how it handles its resources, enhances its environment or uplifts the expectations of its people; just because it has never thought - or never managed - to take charge of its own credit.

Credit is an intangible thing whose nature somehow escapes the attentions and the understanding of a vast majority of our citizens, including elected politicians. For reasons which will subsequently emerge, it is not taught at school, neither is it discussed with any depth or clarity on the financial pages of our prestige newspapers. Yet it is the sustenance and the essential life-force for all social, commercial and industrial activity. It pays the immediate cash needs when hospitals, factories and infrastructures are being built. It fuels the ships and aeroplanes that carry the goods that earn the foreign currency that puts the balance in the Balance of Payments. It finances all forward planning, such as house purchase, motorway construction and imaginative schemes of environmental improvement. Without credit, a society resorts to simple barter, the exchange of goods and services at the point of mutual need and requirement.

We know of course that in our own civilised world there is a highly sophisticated banking system that supplies this credit on demand, charging interest and holding collateral against eventual repayment. None of us in commerce or industry, or indeed in ordinary private life, can conceive of a state of affairs in which the High Street banks would not be available to carry out that essential service, plus the hundred-and-one other functions with which they have come to be associated. On the face of it only a fool would want to interfere with

something which works so well in practice.

### 3 BORROWING TO PAY THE INTEREST

SO when a nation assumes control of its own credit, what's the big difference? Just this, that there will be an overseeing Authority, not only to monitor the activities of the private bankers – ruling on such matters as the level of interest rates and fractional reserve requirements – but also able to make judicious issues of its own Government-sponsored credit (National Credit) whenever circumstances demand it.

This is the point at which orthodox monetarists usually launch their counter-attack. They hoot with derision at the very idea of governments creating their own credit, claiming that such a device would be shamelessly abused as party politicians got their hands on it and mushroomed the money supply to curry electoral favour. The result, they say, in tones of horror and foreboding, would be a flight from the currency, and a Weimar Republic situation recurring in our own time. (Presently we shall be discussing historical instances where governments have felt obliged to assume the powers of money creation, and have actually used these powers with both wisdom and caution – and without consequent inflation.)

There is nothing revolutionary about the mechanics of the proposed operation, just a very important point of principle. Countries with central banking systems do in fact have the mechanisms in place already. In the UK it is done by the Bank of England, and in America by the Federal Reserve. They each control levels of interest rates and, in an indirect fashion, the amount of new money that gets into circulation. The Bank of England, “nationalised” under the Attlee Administration, is

nominally an instrument of Government, but in practice follows a policy dictated by the financial establishment (i.e. that of the big privately-owned banks and financial institutions). The Federal Reserve Bank of the U.S.A., especially under strong governors like Paul Volcker, makes very little pretence of bowing to the wishes of people or politicians, holding its deliberations behind closed doors, and with a time-lag that prevents the world at large from learning of its decisions until they have already impacted the economic life of the nation.

Under the constitution of the American Republic, Congress has been endowed with full authority to issue and control the country's credit. Strange as it may seem, that right has scarcely been exercised since the days of Abraham Lincoln. Prominent spokesmen in both Congress and in U.S. Senate make a virtue out of this 'hands-off' attitude to banking and economic matters, arguing that they are dealt with more efficiently and even-handedly by the experts.

Let us see, in this case, how well the experts justified the faith of a trusting nation. One notices at once that they began with an enormous handicap, since the invariable consequence of a system whereby governments balance their books by borrowing at interest from their own Central Bank, is that they run up horrendous National Debts which, under the prevailing rules of orthodox finance, cannot possibly be repaid. When, on the threshold of the eighties, Ronald Reagan and Paul Volcker respectively took office as United States President and Governor of the Federal Reserve, U.S. Federal Debt was in the region of \$800 billion. Eight years later, with U.S. Congressmen and Senators — elected guardians of the people's liberties — keeping their noses well out of economic matters for fear of offending the bankers' lobby, the monetarist experts — "the boys who know

best" when it comes to money matters – had financed the Reagan Administration's tax cuts and Defence expenditures by inflating that Debt to \$3 trillion. (That's 3,000 billion dollars, almost four times what it had been at the start of the decade.)

If we allow a modest 8.5% interest on all the bonds and Treasury bills that went to the engrossment of that total, we come up with a figure of approximately \$250 billion in Debt servicing alone. And since that sort of money cannot be found out of taxation, especially when you're concurrently running enormous budget deficits, the shortfall has to be financed by further borrowing.

Borrowing to pay the interest on previous borrowings! An absurdity which I highlighted almost ten years ago in the pages of "The Money Bomb". And, in the UK at least, some notice was taken of it. But the U.S.A., despite constant warnings from a dedicated corps of monetary reformers, continues to conduct its financial affairs with such crass irresponsibility that it lurches from one banking crisis to another, and could conceivably pull the whole hemisphere into debt-induced depression.

All done by experts.

## 4 FACING UP TO THE BANKERS

IT WAS Abraham Lincoln who said "*the privilege of creating and issuing money is not only the supreme prerogative of Government, but is . . . Government's greatest creative opportunity*".

Lincoln is still revered as one of the great formative figures of the American Republic. Had he survived the aftermath of the Civil War, he would have used his mighty influence to run the country without incurring further debt; that he was assassinated in his hour of triumph is perhaps a salutary reminder of how savagely the Money Power can react when it senses that its credit monopoly is under threat.

So in proposing that a newly re-constituted Scottish nation should assume the mantle of Lincoln, we must be aware that such an initiative would not invite a friendly pat on the shoulder from Big Brother in New York, or a greetings telegram from the Old Lady of Threadneedle Street. Certain forms of financial reprisal might be taken. There could be difficulties in floating and gaining recognition for the Scottish pound, and the experiment would be assailed with every weapon from high-flown ridicule to veiled threats of disruption of our foreign trade.

It means we should have to be utterly convinced of the value and wisdom of our initiative; have sufficient faith in what we had implemented to be able to withstand the ridicule and the criticisms, and the inevitable complaints from our own citizens as they detected a lack of cooperation in our dealings abroad. The challenges that would confront a newly independent Scotland could be of every conceivable social, political and economic

dimension, such that many might say, *"Why choose this particular issue - why antagonise the international financiers? Don't we want all those prestigious financial institutions on our side, offering us loans and easy credits, giving us access to European and American money markets, even competing with each other to offer us the best possible terms?"*

## 5 SPELLING OUT THE ADVANTAGES

AT THIS point we have to be very clear about what we are doing, to appreciate the potential benefits of replacing elements of established fiscal practice with a system of National Credit.

What we will have entered into is a new concept of money: money as a servant of man, rather than as his master. All our lives we have been conditioned to regard money as a kind of commodity which undergoes periods of scarcity, usually when it's most needed. You need a new school or a hospital. Sorry! there is just not enough money available right now. Your local factory is cutting jobs because it is losing contracts to foreign competitors, and it can't afford to modernise its machinery or its technology because the Treasury is running a credit squeeze, and only allows new borrowing at an exorbitant rate of interest. All this, while skilled labour and resources stand by waiting to be utilised!

Has that not been Scotland's sorry experience down through the years; the cycles of depression and recession? Not enough money to employ the people who want to work, to do the useful jobs that the community badly needs! Never enough home-based finance to let Scottish wit and management endeavour build-up our productive capacity for the market challenges of the future! Is it not an absurdity – and an abomination – when within the same timescale a corporate raider can achieve, with a snap of his fingers, a multi-million pound line in bank-credit to promote the takeover of a multinational company?

Money! How pathetically we plead for grants and

subsidies from foreign agencies such as the EC, when the sums which eventually emerge have been originally funded by our own taxes ! How gratefully we welcome the initiatives of American or European or Japanese manufacturers in setting up on Scottish soil ! They may have know-how that had previously passed us by, or access to markets we might never have penetrated if left to our own devices. But from a balanced judgement of the Scottish character, from the proud record of the Scot abroad, in pioneering, technology, politics and economics, might we not expect most of that initiative to come from our own people, if only the necessary credit facilities had been locally available?

Money! As we grow accustomed to this new line of thinking, we could become very angry with anyone who tells us that such-and-such a thing cannot be done because there is no money. Is there a need, either socially or productively? Have we the brains and the brawn to satisfy it without starving other even more essential projects? If so, the project must be funded, and without incurring a debt charge upon the community.

National Credit is not some crazy jamboree which consists of creating mountains of unbacked currency and letting it float off into the atmosphere like helium balloons at a garden fete. It is a strictly monitored device for ensuring the maximum sensible utilisation of a nation's skills, labour and resources. It is activated by national demand, and retired in proportion as its function has been effected; kept in readiness to take up the slack whenever there is useful but unused capacity within the economy. On this basis it is a powerful stabilising influence, preventing the excessive upswings of the boom-syndrome and alleviating the despondency and potential heartbreak of depression.

## 6 ISSUE OF THE "BRADBURY'S"

IF National Credit is such a lifesaver, such a precious device for uplifting the standards and expectations of all mankind, why have the big industrial economies not adopted it already? Why go on with oscillating interest rates, three-trillion dollar debts, credit squeezes, dilapidated municipal and national infrastructures, withering unemployment and gross under-utilisation of both human and material resources, if it could all be solved by breaching the bankers' monopoly and investing Government with responsibility for the nation's credit?

The answer to that lies in the power that money can wield, to ensure that measures which would regulate its activities are discouraged and subverted. Money can be used to influence politicians and thwart the stated purpose of whole legislatures. Money can buy favourable publicity and newspaper chains, radio and television stations; can dominate all outlets of mass opinion. Money can threaten the image and status of public spokesmen, ambassadors, diplomats, even Presidents and Prime Ministers. Those who, out of ignorance or cupidity, first conceded to the banking industry a total monopoly on the creation of credit, little realised what an awesome force they had released upon society.

Because of this all-pervasive power of reward and sanction, the intricacies of money creation are seldom allowed to become the subject of public debate. They are deliberately shrouded in mystique. Thomas Robertson, the Glasgow Scot who wrote "Human Ecology", referred to them as *the abracadabra of finance*, and William Greider, an American who recently published a revealing study of the U.S. Federal Reserve Bank, entitled it

"Secrets of the Temple", as though to suggest that the moguls who control the United States money system are like high priests practising an occult science above and outwith the scope of ordinary mortals.

But from time to time the veil is drawn aside, and an insight may be gained to the reality within. The Rt. Hon. Thomas Johnston, M.P., Lord Privy Seal and former Secretary of State for Scotland, thought just such an occasion had arisen at the outset of the First World War, when Britain's foreign trade was brought to an abrupt standstill by the opening of hostilities, and the bankers informed the Government that they were on the verge of a calamitous financial crisis.

It appeared that the Bank of England held only about £9 million in gold reserve, and there were hundreds of millions of pounds of negotiable credit in the hands of the general public, which, should there be a run on banking resources, would have brought the whole financial edifice crashing down in ruins. Over the August Bank Holiday, during which their doors were mercifully closed, the bankers pleaded with the then Chancellor of the Exchequer, David Lloyd George, to declare a moratorium while they jointly worked out a solution.

The future war leader did everything that was asked of him, and allowed the trading banks to hold their affairs in suspension for a further three days. When eventually they re-opened their doors, the public discovered that instead of being paid in gold, it was being asked to accept a brand new type of Treasury note, printed in one pound and ten shilling denominations. Obviously the Royal Mint had been busy over the extended holiday, and in those crisis conditions had established a use of paper money which would continue to the present day.

These notes were the famous 'Bradburys', so called

because they bore the signature of the then Secretary to the Treasury. It is recorded that to meet the requirements of the wartime emergency, some three hundred million pounds of these Treasury notes were issued. The equivalent in today's value would be many billions, and it was all effected without fuss, in a very short period of time.

Thus a government, under duress, had taken charge of its own credit. Its action had been supported and welcomed by the public, and was entirely beneficial to the economy of the day. And it was all accomplished without any increase in either public or private debt.

Of all the points in this booklet, what you have just read is perhaps the most crucial - that in August 1914 a British government *created £300 million of its own Treasury money, that it was immediately accepted as full legal tender by the general public, and that it found its way into circulation without any disruption in the normal trading processes of the nation.*

The money had been pledged against the intrinsic wealth of the British people, against the materials and productivity that would be engendered by its distribution. It did not matter to the farmer or the factory worker whether the cash he held in his hand had been created by a private bank or an instrument of Government. What did matter was its purchasing value in relation to his needs.

It was physical money, in the respect that it came in the shape of rectangles of engraved paper, and its change of ownership was by a conscious act of transfer, as between purchaser and vendor. Nowadays it has to be equated with that other type of money which has no physical characteristic, yet which is vastly more important in the

cumulative finances of the nation:- credit transfers; treasury bills and all manner of marketable securities. The stuff that is moved in millions of pounds, dollars, marks and yen every trading day through cheque books and the electronic digits on computer screens !

## 7 "THE GREAT WAR LOAN RAMPS"

IN HIS book "The Financiers and the Nation", Tom Johnston goes on to say that with the key principle of national credit firmly established by the successful launch of the 'Bradburys', there was nothing to prevent the Government from financing the entire war by the same method - nothing, that is, except the power and persuasiveness of the bankers' lobby. Having got themselves off the immediate hook, the banking interests were not long in recovering their composure, and in petitioning the Chancellor to ensure that there would be no more issues on an interest-free basis. If the war was to be financed, it would have to be financed on borrowed money, and they, the bankers, would stipulate the means and the methods by which this would be achieved.

This was at a time when the flower of the nation's manhood was about to be sacrificed on the battlefields of Flanders. No doubt the young braves volunteering in their thousands to take on the Kaiser's war machine paid little heed to the procedural devices of finance. But as a result of that decision (to pay for the conflict by successive issues of War Loan, rather than through a charge on the national credit), those who survived the trenches would ultimately learn that their sacrifices had not ended with the signing of the Armistice.

During the five years 1914-19 the National Debt rose from £700 million to £7,000 million, and the peacetime governments of the twenties and thirties attempted somewhat ineffectually to rectify the situation by operating a "sinking fund". In plain language that means they tried to siphon credit out of the economic system for

debt redemption — regardless of the fact that whole neighbourhoods in our big cities were falling down through neglect, and a whole generation — that gallant wartime generation — was wasting away in enforced poverty and idleness. All because the big important people who understood such things had firmly declared that there was no more money!

Johnston's final comment: *"The nation staggers along, cutting the bread and cheese of its poor, and starving the social services, in a vain attempt to meet the charges incurred in the Great War Loan Ramps".*

Labour M.P. Norman Smith's book "The Politics of Plenty" sums it all up by quoting a bitterly eloquent limerick:

The people still go to the poll,  
And think they have final control;  
But really they dance  
To the tunes of finance,  
And solace themselves with the dole!

## 8 THE SCOTS AS A UNIQUE NATION

TOM Johnston was a Socialist. Abraham Lincoln was a Republican. Sir Robert Menzies of Australia was an old-fashioned colonial conservative. But they had each observed, through their respective backgrounds, the basic fallacy which corrupts and distorts all modern economic thinking. Many other people in various walks of life have also come to understand it.

The banking moguls understand it. They know that their credit monopoly is unfair and inequitable; perpetuates the divide between rich and poor; feeds itself on constant inflation and the miseries of struggling populations in the lesser-developed world. They have a frantic desire to confirm and consolidate their power, to make it ultimately irreversible.

One way of achieving this is through larger and larger units – amalgamations, integrations, federations – even Continental federations of the scope and complexity of the EC. Jacques Delors' proposal for a European Economic Union whose financial policy would be dominated by a European Central Bank, was entirely to their design specifications. In seeking to control the herd, and keep it quiescently grazing within the confines of their own corral, they are constantly on the lookout for the odd maverick that might be tempted to break away.

That is why they loathe and deplore above all the type of independence movement that has flourished in Scotland over the last two decades. Devolution does not worry them, since it would leave financial overlordship with the central government in London, and there would not be an opportunity to choose. It would be like shunting the Scottish state locomotive into a siding, and only

allowing it to venture out under close supervision.

But complete sovereign independence - and the intent to set up a financial system within the political control of an elected Scottish Government - now that would set the alarm bells ringing! The Scots as a nation have contributed much in the service of mankind. They are universally popular, as those who have travelled can affirm from personal experience. Many Scots do understand banking and economics, and if they can be motivated to act in unison on this particular issue, they have the capacity to change the course of history.

The dramatic upsurge of nationalism which followed Winnie Ewing's by-election victory at Hamilton in 1967 contained within its ranks a substantial number of monetary reformers who suddenly saw in their own country the possibility of credit being made available on the basis of labour and resources, rather than on what could be screwed out of the debt system. Unfortunately a majority of Scots folk, hooked on television and what they read in the foreign-owned tabloids, allowed that development to pass right over their heads.

## 9 COLONIAL SCRIP AND GREENBACKS

THERE are various instances in economic history where systems of state credit have functioned satisfactorily. The early American colonies issued their own currency, which they called Colonial Scrip. According to Benjamin Franklin, it was created in proper proportion to the demands of trade and industry. And in fact the fledgling State of Massachusetts operated an imaginative scheme whereby it loaned money at 1.5% interest to its pioneering citizens, thereby providing both revenue for the state coffers and cheap capital for the men who were extending the frontiers. Franklin relates that when details of this highly prosperous system of community endeavour got back to the London bankers, they put pressure on the House of Commons to enact a bill that made it illegal for any colony to issue its own money. Colonial prosperity disappeared within a twelve-month, and there was unemployment all along the Atlantic seaboard. (Franklin wrote that this – not the Boston Tea Party – was the true cause of the Wars of Independence.)

Approximately one hundred years later, Abraham Lincoln was President of the young American Republic, and faced with the problem of financing the Civil War against the Southern Confederacy. He did then what Lloyd George would be obliged to do in August of 1914. He created some \$460 million of U.S. Treasury notes, which were used to pay the troops and provide munitions and supplies for the battle lines. After Lincoln's mysterious and untimely death, those greenbacks, as they were called, were progressively withdrawn, and it would be argued by the banking lobby that their method of issue was a principal cause of the inflation which raged throughout the States in the aftermath of hostilities. What

the bankers neglected to mention, however, was that Lincoln had brought his people through a bruising and destructive war without crippling future generations with irredeemable debt. Had that \$460 million been put to productive use in the building of roads, factories and infrastructure, the effect would have been entirely beneficial, and no inflation would have ensued.

## AUSTRALIA'S COMMONWEALTH BANK IO

The last major modern economy to enjoy the benefits of National Credit was that of Australia between the years 1912-1923, when Sir Denison Miller was Governor of the Commonwealth Bank. The Bank itself had been founded in 1911, largely through the persistence and dedication of a colourful character called King O'Malley, an immigrant from America at the end of the century who was obviously inspired by the monetary ideals of Franklin, Lincoln and Jefferson.

Australia's primary producers had traditionally been at the mercy of the private bankers when it came to garnering and marketing their produce. During the First World War Miller made credit available on request to the sum of \$872 million for the financing of wheat, butter and meat stocks, a service without which many of the farmers would have been ruined. He also provided funding for a Commonwealth Fleet of Steamers to carry the national surplus to overseas markets; and in the aftermath of war in 1920, when bankers internationally started a campaign of deflation to drive currencies back to their pre-war values, Miller countered any attempts to impose this hardship on Australia by releasing an additional \$46 million into the system.

Here was credit creation at its best, used responsibly and skilfully to balance out the peaks and troughs of trade cycles; not wilfully to usurp the functions of the trading banks, but retaining always the capacity to curb and discipline their excesses. Under Miller's wise Governorship the Australians of that day were spared an imposition like Tom Johnston's 'Great War Loan Ramps', the Bank having provided about \$7 billion for the

financing of the country's expeditionary forces, including much that would have to be found in foreign currency.

If we can accept this record of the benefits bestowed upon the Australian nation by an institution of National Credit, — and you may read about it in greater detail in "The Story of the Commonwealth Bank", (see bibliography) — then it is difficult to imagine a hard-headed democratic people ever allowing such a precious asset to be eroded, or taken away. Yet even before the death of Sir Denison Miller in 1923, a resourceful political and financial establishment was planning to remove the Bank's unique powers of credit creation, and replace them with some good sound money management, as practised by the private bankers.

The results of that reversal are clearly visible in Australia today. The country is sorely beset with high interest rates, unemployment and farmer-producer bankruptcies invoked by the pressures of the debt system upon those who earn their living by the land.

There are no King O'Malleys or Denison Millers on the Australian horizon today. An electorate bemused by the conflicting ideologies of Right and Left, capital and labour, free marketeering and controlled economics, libertarianism and the ever-widening gap between rich and poor, is conditioned by the media to see these symptoms as the essential stuff of all political debate. It will never be made aware that it is tinkering with the effects whilst ignoring the causes; putting out the fires without tackling the fire-raiser.

Money — or lack of it in the right places — is acknowledged to be at the root of so many of those problems. But amid the sound and fury of party bickering and controversial electioneering, how often is it asked who creates money, and who controls it?

## ALL A MATTER OF THE NATIONAL WILL

11

THIS could happen in Scotland too. The fate of the Commonwealth Bank proves that even after an institution has given years of beneficial service to the nation at large, and has immeasurably raised the standards and expectations of the people, it can still be subverted by a cartel of resolute men, whilst the rest of the population look on in ignorance.

So why should Scotland bother? Why should she dare? Why not just accept some form of devolved autonomy, whilst leaving the real business of finance to the big guns in the City of London?

Surprisingly enough, despite the mighty array of banking power that could be ranged against us, it is mainly a matter of political and national will. A Scottish Parliament which proclaimed its sovereign independence by the clear consent of its electorate is most unlikely to be attacked by tanks and aircraft. The pressures would come against our currency, our creditworthiness and our external trade. For a while we might have to keep our heads down, though utterly convinced of the rightness and wisdom of our position. Much of the pressure would be psychological.

Starting without debt the Scottish economy would enjoy taxation relief, worthwhile employment and all-round competitiveness that would eventually make our markets irresistible. Friends and allies would spring up from every corner of the globe, as our cause caught their imagination, and they waited to see whether we, the Scots, would blaze a trail that others could follow.

Meanwhile the bankers themselves would be threatening and scaremongering. Like an insect projected by strong light onto a reflective wall, they would cast a mighty shadow. And perhaps that would frighten many, but only through an illusion, for the reality would still be of an insect. Banking power is thus for ever illusory against a nation which takes charge of its own credit, and understands how to monetise its own labour and resources. We would survive, and our position could only strengthen as the benefits of a debt-free economic system became more visible.

It has long been realised that if one small nation-state managed to break the bankers' credit monopoly, and articulated the methods by which this had been achieved, others would want to follow. That is why the big financial interests have been concerned to see that no such experiment ever materialises, and to stamp fiercely upon its manifestations, wherever they might be found.

Thus far they have been overwhelmingly successful. We are up against a resourceful opponent, who has lost several skirmishes and an occasional battle, but never the war itself. It remains a matter of knowledge and conviction, of national and political will-power. In the sorry state of the world's economies — a condition exacerbated in almost every instance by mountains of irredeemable debt — it is a reform and a deliverance just waiting around to happen.

With this prospect before them, can the Scots be energised into taking a leadership role?

**SELECT BIBLIOGRAPHY**

The Financiers and the Nation : Rt. Hon. Thomas Johnston M.P.  
(Methuen & Co. Ltd. London)

The Money Bomb : James Gibb Stuart  
(MacLellan Embryo Ltd. Glasgow)

Human Ecology : Thomas Robertson  
(C.B.C. Hawthorn California)

Secrets of the Temple : William Greider  
(Simon & Schuster Inc. New York)

A Blueprint for Economic and Monetary Union (The Delors Report, 12 April '89) Jacques Delors

The Story of the Commonwealth Bank : D.J. Amos  
(Veritas Publishing Co. Bullsbrook, West Australia)

The Politics of Plenty : H. Norman Smith M.P.  
(George Allan & Unwin Ltd. 1944; revised and republished 1946)