

THE BRETTON WOODS PLOT

BY

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1957

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ERRATA.

Page 45, first par line 4, and also third par line 1, instead of 1944
read 1945.

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Conspiracy and Conspirators

(1) TIMING THE TRAP

On May 17, 1944, the Allied Supreme Command in the second world war tentatively fixed June 5 as D-Day for the invasion of Normandy. This was the most important decision of the war and a jealously guarded top secret. Nine days after the decision was taken, and eleven days before the invasion actually began on June 6, New Zealand, in common with many other countries, on May 26 received an invitation from Washington to an international monetary conference to open in the United States on July 1. The conference met at Bretton Woods, New Hampshire, and lasted until July 22. It adopted an agreement constituting an International Monetary Fund and an International Bank. This project had previously been known as the White Plan, after its author, the late Harry Dexter White, then Assistant Secretary of the United States Treasury, and in contradistinction to the Keynes Plan for an International Clearing Union, framed by the late Lord Keynes on behalf of the British Treasury.

When the Bretton Woods Conference met on July 1, 1944, the whole issue of the war was swaying in the balance. When it dispersed on July 22 the Allied armies were still fighting with their backs to the sea, penned in within a few miles of their initial landing points, and the German front was holding solidly. The overwhelming interest of the whole world, including

the delegations at Bretton Woods, centred on the titanic struggle going on in Normandy. The one and only thing that mattered was the maximum flow of munitions in to Normandy. A huge part of that flow consisted of American Lend-Lease aid. The nations were comrades in arms fighting side by side. The United States had been most generous. If it wanted a money agreement signed, it was no time for higgling and haggling. Anything dubious or obscure must be left over for revision and clarification when victory was assured.

On March 11, 1941, nearly nine months before America entered the war, Congress had passed "An Act to Promote the Defence of the United States", a measure more commonly known as the Lend-Lease Act. It empowered the President of the United States, then a neutral in the war, to supply "defence articles" of all kinds and to unlimited extent, to "any country whose defence the President deems vital to the defence of the United States". In return for thus being enabled to promote the defence of the United States, the belligerent nations were to give "payment or repayment in kind or property, or any other direct or indirect benefit which the President deems satisfactory".

On February 7, 1941, when the Lend-Lease Bill was before Congress, Mr. Arthur Krock, Washington correspondent of the New York Times, made the following comment on it: "The suspicion is, and for some time has been, that the American and British New Dealers who have most influence with the President aim at a socialisation of industry in both countries after the war, that the form of the Lend-Lease Bill will assist in bringing about that result here; and that Ambassador Winant was selected as best liaison officer to that end with Britons of like mind."

The most prominent of these like-minded Britons was the late Lord Keynes, then Mr. J. M. Keynes, who

from the outset had been a strong admirer of the Roosevelt New Deal of economic regimentation. In December, 1933, Mr. Keynes had addressed a long open letter to President Roosevelt eulogising the New Deal and telling Mr. Roosevelt how to run it, and in particular to borrow money wholesale and spend likewise. The letter was widely published in the American press. The Keynes post-war money plan was for an International Clearing Union jointly controlled by Britain and the U.S.A., issuing an international currency to be supplied freely to nations conducting their affairs in accord with Keynesian planned economy ideas, and with the U.S.A. putting its financial weight behind the institution. Mr. Harry Dexter White, Mr. Keynes's opposite number in America, had quite other views and also a more forceful personality than Lord Keynes. The Keynes Plan did not survive as a subject for consideration by the conference of 1944.

In 1942 the recipients of Lend-Lease aid were required to sign agreements indicating the benefits they were to provide to the United States in return for the privilege of promoting its defence. They each undertook to enter into "agreed action" with the United States, open to participation by all other countries of like mind, and directed to the expansion of "production, employment, and the exchange and consumption of goods", plus the "elimination of discriminatory treatment in international commerce, and the reduction of tariffs and other trade barriers."

When the guns began to roar in Normandy the allied nations were summoned to Bretton Woods to learn what was required of them in monetary matters. They were presented with a long and complicated agreement, and so drafted that it was extremely difficult to arrive at a full understanding of it. The terms of this agreement have proved so onerous in practice that most of the 58 countries ratifying it are in default on their full obligations under it and can be called to

account at any time, in which event the majority of them would be bankrupt. These defaulters include Britain and the other British countries in the Fund.

New Zealand is the sole British country which has remained outside of the Bretton Woods Monetary Fund and World Bank. A year ago, the Monetary Royal Commission set up in 1955 reported that the advantages of membership were such that New Zealand should join the Fund and the Bank. This pamphlet is written for the purpose of demonstrating the following things:

- (1) That the Royal Commission report omits all reference to the most important clause in the Bretton Woods Agreement, and by that omission the whole case presented in the report falls to the ground.
- (2) That had the gold parity requirements of the Bretton Woods Agreement been in force in New Zealand in 1931-1934 this country would have been completely ruined financially; that ratification of the Agreement would expose us to future disaster; and
- (3) That recent revelations in the United States, coupled with certain terms of the agreement itself, raise very strong suspicion that the Bretton Woods Agreement was designed for the purpose of creating discord between the U.S.A. and other members of Fund to the advantage of Soviet Russia.

Our recent New Zealand Monetary Commission was given no direct instruction to get at the facts of the matter with which it was dealing. Its field of inquiry was not facts but representations. Its terms of reference laid it down that it was "to receive, inquire into, and report upon representations regarding:" (a) any monetary, banking and credit proposals which might be suggested, plus (b) the existing system and (c) any associated matters. The representations

or statements concerning Bretton Woods put in by the Reserve Bank and the Treasury both omit reference to the most important clause in that agreement.

(2) THE CHIEF ARCHITECT

Had the Monetary Commission been given a direct instruction to report on the advisability or otherwise of ratifying the Bretton Woods Agreement it might very easily have lighted on an American Government document reprinted here, in Wellington, New Zealand, by authority of the United States Public Information Service. This is a report on Interlocking Subversion in Government Departments made by the Internal Security Subcommittee of the U.S. Senate on July 30, 1953 (1). On fifteen of its fifty pages there are references to the activities of the late Harry Dexter White, former Assistant Secretary of the U.S. Treasury and who, on page 30 of this report, on the authority of a U.S. State Department publication, is described as "chief architect of the International Monetary Fund". White is listed in the report as leading member of a Communist spy ring planted in the U.S. Treasury, and it is stated (page 21) that although he died shortly after denying the testimony of two witnesses against him in 1948, he "was clearly implicated when notes in his own hand were found among the Chambers documents" later on.

In passing, it is worth noting that in 1944 this Treasury spy ring was intensely eager for advance information about the date of D-Day (p. 18). White, according to the report, was the most useful agent the Soviet had for planting spies in U.S. Government Departments, his recommendations carrying great weight everywhere. White, according to the evidence, was

(1) The members of the Subcommittee were: Senators W. E. Jenner (chairman), A. V. Watkins, R. C. Hendrickson (later U.S. Ambassador to N.Z.), H. Welker, J. M. Butler, P. Mc-Carran, J. O. Eastland, O. D. Johnston, and (to his death on June 30, 1953) Senator Willis Smith.

supplying confidential U.S. Treasury information to the Soviet from the thirties onwards, and was first named as a spy by Whittaker Chambers in a statement to the Federal Bureau of Investigation in 1941.

The Interlocking Subversion report says the subcommittee publicly examined "36 persons about whom it had substantial evidence of membership in the Communist underground in Government". All refused to answer questions on the ground of self-incrimination. Of these persons it is stated:

"They used each other's names for reference on applications for Federal employment. They hired each other. They promoted each other. They raised each other's salaries. They transferred each other from bureau to bureau, from department to department, from congressional committee to congressional committee. They assigned each other to international missions. They vouched for each other's loyalty and protected each other when exposure threatened...

Virtually all were graduates of American universities. Many had doctorates or similar ratings of academic and intellectual distinction" (p. 23). In the introduction to the report, it was noted that "except in a few cases, all of these agents, despite the record of their subversion, had escaped punishment and some, in positions of influence, continued to flourish even after their exposure".

Harry Dexter White died suddenly and unexpectedly on August 16, 1948, three days after appearing at his own request in denial of charges that he was a Communist agent. In November following, Whittaker Chambers, chief witness against Alger Hiss, was challenged to produce documentary evidence of Hiss's guilt. Chambers thereupon produced a canister of microfilms of secret Government documents given to him by Hiss and others for transmission to Russia. Among them was an instalment of a diary in White's handwriting of confidential U.S. Treasury doings of interest to Moscow.

White being dead, no question of proceedings against him arose. There the matter rested until on November 6, 1953, the Attorney-General of the United States, Mr. Brownell, asserted in a speech at Chicago that President Truman in 1946 had appointed White to the most important post he ever held—U.S. director of the International Monetary Fund—in face of two reports by the Federal Bureau of Investigation that White was a spy.

Mr. Truman immediately said in reply: "I know nothing about any such FBI report. . . As soon as we found out White was disloyal we fired him". It was then revealed that White had not been fired, but had resigned with a laudatory letter from Mr. Truman. Mr. Truman thereupon retorted: "White was fired by resignation".

Mr. James F. Byrnes, Governor of South Carolina and formerly Secretary of State under Mr. Truman, next intervened in the controversy. He said that on February 6, 1946, two FBI reports on White came to hand. He at once urged Mr. Truman to do one or other of three things. (1) Get the Senate to revoke the appointment; (2) confront White with the reports and force him to withdraw, or (3) refuse to commission him. The President did none of these things.

The significant thing is that none of the parties to the controversy expressed the least doubt of White's guilt. White became first U.S. director of the International Monetary Fund and held office for eleven months, until he abruptly resigned in April, 1947. He was not known to be a member of the Communist Party. The evidence was that over a period of nine or ten years he had acted as a Soviet spy and agent in the Treasury.

Immediately following on this heated press controversy between the ex-President of the United States and its present Attorney-General the Senate Security Subcommittee sought to learn two things: (1) What

had the FBI told Mr. Truman about White? (2) Was White left in his Monetary Fund post to enable the FBI to gather more information about the spy ring? To obtain this information the Subcommittee subpoenaed the Attorney-General, Mr. Brownell, and the Director of the Federal Bureau of Investigation, Mr. J. Edgar Hoover.

The Attorney-General in his testimony pointed out that the question to be decided by the Truman administration in January and February, 1946, was not whether criminal proceedings for espionage should be instituted against White, but whether White should be advanced to a post of high honour, great trust and responsibility, and of vital importance to the security of the country. On February 6, 1946, President Truman's nomination of White as U.S. executive director of the International Monetary Fund was confirmed by the Senate, and White entered on his duties on May 1 of that year. What information about White had the FBI supplied to the President prior to White's nomination? On December 4, 1945, the FBI transmitted to the White House for the President's information a secret and highly important report of 71 pages on "Soviet Espionage in the United States". This was a general report and only summarised White's activities in abbreviated form, but sufficiently to warn anyone who read it of the extreme danger of appointing him to the Monetary Fund or continuing him in Government in any capacity. The report had been preceded by an FBI letter on November 8, 1945, stating that vigorous investigation was being made into information that 12 Government officials named in the letter had been furnishing data and documents to an intermediary for transmission to agents of the Soviet Government. The documentary matter transmitted averaged when photographed about 40 rolls of 35mm. film fortnightly. On February 4, 1946, a special FBI report on White was sent to the President. Mr. Brownell said the accuracy of the information might be gauged from the fact

that eight of the persons named in it as close associates of White had since exercised their constitutional right to refuse to answer questions on the ground of self-incrimination, while one other had admitted Communist Party membership, and another had been convicted of perjured denials of Communist and espionage activities. Summing up the situation with regard to White the witness said:

"Of course, no one could, with any validity, suggest today that there is any doubt that White was in this espionage ring."

Such is the view of the Attorney-General of the United States of the character of the principal architect of the International Monetary Fund which a New Zealand Royal Commission has recommended this country should join.

Mr. J. Edgar Hoover, head of the Federal Bureau of Investigation, in his evidence said that the FBI had interviewed White as early as March, 1942, on which occasion he had spent more time in denouncing investigators than in furnishing facts. On November 7, 1945, Miss Elizabeth Bentley (the intermediary collecting information from the Treasury spy ring and passing it on to the Soviet) had informed the FBI in considerable detail of her career. A letter was sent next day to the White House, and investigation continued of the Bentley material, along with that previously received from Whittaker Chambers and other sources. From November 8, 1945, until July 14, 1946, seven communications bearing on espionage were sent to the White House in all of which White was specially mentioned. The 28-page summary concerning White, handed in on February 4, 1946, contained information from 30 sources, the reliability of which had been previously established. Of Miss Bentley, the principal witness against White, Mr. Hoover said:

All information furnished by Miss Bentley, which is susceptible to check, has proven to be correct. She

has been subjected to the most searching of cross-examinations; her testimony has been evaluated by juries and reviewed by the courts, and has been found to be accurate".

Mr. Hoover further said the FBI was not a party to any agreement to move Mr. White from the Treasury to the International Monetary Fund to aid further investigation. The change was a hindrance, not a help, to surveillance of White, as the Fund was outside U.S. jurisdiction, and its premises extra-territorial and the FBI had no right to follow persons on to its property. (Facts vide Time 16, 23, 30/11/53).

(3) WHITE'S DOINGS IN 1944

The handiwork of Harry Dexter White at the Bretton Woods Conference of July, 1944, requires to be studied in the light of his other activities during that year. We have already noted the eagerness of the Treasury spy ring, of which White was a member, for advance information of the date of D-Day. Nine days after Allied Supreme Headquarters had secretly fixed the date the invitations to Bretton Woods were issued. Elizabeth Bentley, principal witness against White, and go-between contact with the Soviet Embassy, tells how a member of the ring boasted that he had got the date of D-Day nine days ahead of time. In her book *Out of Bondage* she adds (p. 198):

"Around this time he also brought me samples of the marks the United States was preparing for use in the German occupation. The Russians were delighted as they were planning to counterfeit them. However, due to a complicated ink process this proved impossible—until I was able to arrange through Harry Dexter White that the U.S. Treasury Department turn the actual printing plates over to the Russians!"

According to *New York Time* (23/11/53) the Russians printed millions of marks from the plates supplied by White. The *New York Times*, in its Sunday

edition of December 12, 1949, stated that the American Army used these occupation marks in Germany to pay its troops and meet occupation expenses. Investigating senators returned from Germany said General Clay, Deputy U.S. Military Governor, informed them that the intake of U.S. occupation marks had been greater than the issue. The highest denomination note issued by the U.S. was for 100 marks, but in March, 1949, there were 46,022 U.S. 10,000-mark notes in the banks in the American zone, as well as "very large quantities" of 500 and 1000 mark notes which had been printed by the Russians from plates supplied by the U.S. Treasury. The Russians had found no difficulty in inserting extra ciphers on the plates. Preliminary inquiries had indicated that at least 400,000,000 U.S. dollars had been given in exchange for Russian-printed notes. Senator Bridges stated that Russian troops, who had not had a pay-day for a long time, received a large supply of U.S. marks in pay on arrival in Germany and many went about with brief cases bulging with them, buying articles from U.S. soldiers at extravagant prices, many of the Americans then changing the notes for dollars and sending the money home to the U.S.A.

Besides thus playing the role of fairy godfather to the Soviet troops in Germany at the expense of the American taxpayers, the author of the Bretton Woods Agreement in 1944 rendered further valuable assistance to Moscow According to the Bentley evidence quoted in the Interlocking Subversion report (p. 30), Moscow wanted a plan adopted for the complete razing of German industry at the end of the war, so that Germany would no longer be a barrier to protect the Western World against the spread of Communism. Harry Dexter White was set to work on that. "And on our instructions," said Miss Bentley, "he pushed hard".

At this date White's chief, Mr. Morgenthau, Secretary of the U.S. Treasury, was chairman of a committee on post-war economic planning. New York

Time (23/11/53) relates what happened: "One of White's greatest triumphs, although a short-lived one, was the Morgenthau plan for post-war Germany. The plan called for the destruction of nearly all German industry, and reduction of Germany to a 'pastoral state', plus early withdrawal of all U.S. troops. This, of course, would have left Germany—and all European easy prey to Communist domination.

"After White wrote the plan, Morgenthau, bypassing the State and War Departments, took it to the Quebec Conference in September, 1944. There Morgenthau and White pushed through approval of the plan by Roosevelt and Churchill. White had taken pains to inform Lord Cherwell, Churchill's personal assistant, that British requests for U.S. funds would be greeted with much greater favour if Britain approved the White-Morgenthau plan...."

The plan was immediately published, but was not well received, and was quietly dropped. It was useful to Moscow, nevertheless, in that it stiffened up German resistance to the point of total collapse.

In the first of the above related happenings, we find the author of the Bretton Woods Agreement putting the interests of Soviet Russia high above his duty to the United States, and in reckless indifference to the interests of the American taxpayers. In the second case, White likewise acted in total disregard of the interests of America's other allies. The matter at hand does not state exactly at what date the U.S. currency plates were given to Russia, but the evidence is that around the date of D-Day the U.S. Treasury spy ring, of which White was a member, supplied the Soviet with samples of U.S. occupation currency for counterfeiting. The position thus appears to be that just before proceeding to Bretton Woods, White had put Soviet interests first, with United States interests nowhere, and just after Bretton Woods the Soviet stood first with him, and America's allies nowhere. In

between—we are expected to believe—White piloted through the Bretton Woods Agreement in a pure and disinterested spirit of goodwill towards all men (1).

At this point it may be noted that although born in the United States, Harry Dexter White was of East European antecedents on both sides. According to the issue of *Time* quoted above, his parents were Jacob and Sarah Weit, immigrants from Lithuania, then a province of Russia. White himself married a Russian-born lady. His father started in Boston as a peddler, but the family later owned four hardware stores there.

Before considering what was done at Bretton Woods, it is useful to take notice of the circumstances under which it was done. To begin with, there was preliminary negotiation prior to the conference between Lord Keynes and Mr. White. In a letter published in the Harrod biography John Maynard Keynes is a reference to this negotiation. Keynes wrote as follows to the Chancellor of the Exchequer in London:

"On the Saturday Harry White proposed that we should mutually initial the final document and exchange letters. On the Monday I carried out my part. But he made excuses why he should not initial or confirm anything. I was much annoyed for a moment. During the war I have altogether spent five months in close negotiation with the United States Treasury and on no single occasion have they answered any

(1) In addition to her gains by counterfeiting, Russia got U.S. Lend-Lease aid to the value of \$11,298,000,000, giving \$2,000,000 in reverse aid. Furthermore, an enormous amount of U.S. armament was left behind in Europe and disappeared. A N.Y. "Economic Council Letter" (1/5/49) said: 'Some of this material is at this moment being used by the Soviet to conquer China. Ex-President Hoover in his report on the military budget said: "The Army has stated that it has material sufficient to equip only 18 divisions; although at the end of the war it had some 89 fully equipped divisions and great additional quantities of material in the pipe line. . ." Frank Hanighen in the weekly supplement "Not Merely Gossip" indicates that the scandal of the disappearance of this material may exceed that of Pearl Harbour.'

single communication of mine in writing, or confirmed in writing anything which has passed in conversation. In this my experience is not unusual. I doubt if anyone has seen Harry White's initials".

New York Time (23/11/53) asserted that in their negotiations White bullied Lord Keynes, on one occasion sneeringly calling him "Your Royal Highness". This, it said, offended Keynes as an insult to the Crown. Keynes's biographer, Mr. R. F. Harrod, however, describes White as "a remarkable figure who should be accorded an honourable place in British annals. He was a reformer of genuine convictions". He added that probably "but for White's assiduity and galvanic personality a large scheme of the kind for which Keynes was working in Britain would never have seen birth at Bretton Woods".

(4) WHAT HAPPENED AT BRETTON WOODS

The Bretton Woods Conference was attended by delegations from 44 countries. It was supplied with a secretariat, headed by Mr. Warren Kelchner of the State Department as Secretary-General; with Mr. Frank Coe as Technical Secretary-General; and Dr. Philip C. Jessup as Assistant Secretary-General (vide N.Z. Parliamentary Apps. A-8, 1944). The names of the two last-named gentlemen appear in the U.S. Senate Interlocking Subversion report of 1953 previously mentioned. References to Mr. Coe occur on eight pages. Dr. Jessup is mentioned in a footnote only, but reference is made on seven pages to the Institute of Pacific Relations, of which he was chairman. Mr. Morgenthau, Secretary of the Treasury, was elected president of the Conference; Mr. Harry Dexter White was chairman of the No. 1 section setting up the In-national Monetary Fund; and Lord Keynes was in charge of the No. 2 International Bank section.

Mr Virginius Frank Coe was first named as a Communist in a list of 27 names of Government officials

handed in by Whittaker Chambers on breaking with the Soviet spy apparatus in 1939. Chambers gave the list to Mr. Adolf Berle, Assistant Secretary of State for Security in the Roosevelt Administration. No action followed on it for several years, during which time the persons named advanced steadily in office. In 1941 Chambers, on being interviewed by the FBI again named Coe along with 28 others. In 1948 Elizabeth Bentley publicly testified that Coe was a member of an underground Communist spy ring in the Treasury. Coe, on oath before the same committee, said the Bentley evidence was "entirely false", he was never a Communist; never followed the Red line; and never gave official data to Soviet agents. He declared that Miss Bentley had wickedly slandered him. At the time Coe looked invulnerable. He had succeeded White as Director of Monetary Research at the Treasury and had continued upwards from post to post. In May, 1946, White became first U.S. Director on the International Monetary Fund, and in June, 1946, Coe was appointed Secretary of the Fund. Coe held office undisturbed for six and a half years, drawing a tax-free salary of 20,000 dollars a year. On December 1, 1952, he appeared on subpoena before the Senate Internal Security Subcommittee, and 65 times over exercised his constitutional right to decline to answer questions that might incriminate him. Two days later the Fund announced that Mr. Coe had resigned—by request. (Vide *Interlocking Subversion and Time*, 15/12/52). Dr. Philip C. Jessup is mentioned personally in *Interlocking Subversion* only once (p.9), and merely as having recommended Alger Hiss (later convicted of perjured denials of Communist espionage) as an Institute of Pacific Relations delegate. This latter body, of which Dr. Jessup was chairman, was earlier investigated by the Senate Security Subcommittee and found to be infiltrated by Communists. The report stated that "a group of these individuals influenced the State Department with disastrous results to American far

eastern policy" (p.21). Another publication at hand notes that in 1951 the Senate failed to confirm President Truman's nomination of Dr. Jessup as a U.S. delegate to United Nations after its attention had been directed to the fact that 60 officials and writers of the TPR had been named as espionage agents in sworn testimony before various Congressional committees.

The scene of the world-famed monetary conference held under the above auspices was a large hotel at a secluded resort in the interior of New Hampshire about 150 miles north of Boston. A thirty-year-old road guide at hand gives the population of Bretton Woods as then totalling 50 persons, plus two hotels, one with 350 rooms and the other with 200. The restful tranquillity of the locality was very much disturbed from July 1 to 22, 1944.

On July 21, when all was over except the formal signing of documents, a very much exhausted Lord Keynes wrote a letter to Sir John Anderson in London describing the proceedings. This letter appears in the Harrod biography of Keynes, and from it the following is extracted:

"The pressure of work here has been quite unbelievable. It is as though, in the course of three or four weeks, one had to accomplish the preliminary work of many interdepartmental and Cabinet committees, the job of Parliamentary draftsmen, and the passage through several Houses of Parliament, of two intricate measures of major dimensions, and all this carried on in committees and commissions, numbering up to two hundred persons in rooms with bad acoustics, shouting through microphones, many of those present, often including the Chairman, with an imperfect knowledge of English, each wanting to get something on record which would look well in the Press at home, and one of the most important Delegations, namely, the Russians, only understanding what was afoot with the utmost difficulty and expense of time. On top of

this the Press . . . And each of the Delegations expects some measure of social and personal consideration. . . We have all of us worked every minute of our waking hours practically without intermission for what is now four weeks . . . sitting in committees night after night up to 3.30 a.m., starting again in the committee at 9.30 next morning. . . At one moment Harry White told me that at last even he was all in, not having been in bed for more than five hours a night for four consecutive weeks . . . But all of us from the top to the bottom ... are all in. . . The official papers of the conference, some of them of great length, number nearly 500; and in addition much written matter has passed between us, not to mention telegrams to and from home."

A view of the Bretton Woods conference from quite another angle is given in a report to the National Economic Council, Inc., an organisation with headquarters in New York, and on whose behalf Mr. Samuel Crowther, the author, attended the plenary sessions. Mr. Crowther was a very critical spectator, suspicious that America was about to be raided by a lot of needy foreign Finance Ministers. He described the gathering as led by nobody, and dominated negatively by the large Russian delegation, made up mostly of men who spoke nothing but Russian, and did no mixing with the other delegates. The Russians demanded a large voting power and a large borrowing power. "They were all set to make a raid and get what they wanted. They also insisted that they put up a minimum amount of gold and a maximum amount of promises. They refused to disclose any facts on their gold or other holdings. They made their demands as of right, practically as orders from Stalin to the conference. They answered no questions and made no decisions except on their cabled instructions. They did not bother with argument or logic. . . They said that the American experts had agreed, before the meeting, that they would be specially favoured in the mat-

ter of putting up gold, and they charged bad faith. To this the New Dealers replied that there was no dispute at all, but only a most unfortunate Russian misunderstanding of the English language. This brings a new vista of what happened at Teheran."

Of the American leadership, Mr. Crowther said *inter alia*: "There was a complete absence of candour in describing the stabilisation fund and the lending institution which were proposed, and also in the official announcements of what happened. . . Both schemes are mixed up with the fantastic debt theories of Lord Keynes which were adopted by the New Dealers to explain why they had printed money to get votes. . . The final statement by Secretary Morgenthau was utterly disingenuous. The higher Administration officers who were members of the [U.S.] delegation and who would be expected to take a leadership were not only without leadership ability but also were so slightly informed as to the subject matter of the Conference that they were unable to participate in the discussions in any serious way. They had to rely almost entirely on speaking pieces written for them by others. The technical advisers mostly acted as though they were teaching classes. Thus there was no one to stand up before the Russians and talk brass tacks." (Vide London Patriot 31/8/44).

With the vociferous Russians continually on their feet with demands and objections, all shouted through microphones by themselves and their interpreters, it was small wonder if at the end of twenty-one days of this sort of thing few of the delegates had any very clear idea where the proceedings had got to. In the light of subsequent revelations, it is obvious that Russia was present for the purpose of creating confusion. Having viewed the Bretton Woods tree, we now turn to its fruits.

Part Two

A Quicksand of Deceit

(1) THE DOCUMENT EXAMINED

For the assistance of the reader unversed in monetary matters a few elementary facts require noting before we proceed with our story. The first thing to bear in mind is that money is a measure of value. If we are to have justice and order in our affairs our first need is money that is a true and honest measure of value, stable in its purchasing power over commodities. This simply means that the same common honesty on which civilised human intercourse is based must prevail in the sphere of money just as much as elsewhere. A dishonest and unstable money unit distorts all human relations, and wreaks injustice in almost every transaction into which money enters. Nothing is more certain than that if the nations fail to correct the present ever-increasing disorder in their monetary systems, our whole existing civilisation will topple headlong to ruin. It is not fishy, fantastic nonsense such as Social Credit that is wanted. All that is needed is plain common honesty in high places. Without that we are doomed, and justly doomed. That is the world's lack today. Its trouble is spiritual, not economic. And it is a very sick world.

The second thing to remember is that it is not what money is made of, or based upon, that determines its wealth-value—in other words, its purchasing power over commodities and services. The value of money, like all other economic values, is based on demand and supply. Double the volume of money and, with goods and services unchanged, prices will very soon double.

Halve it, and prices will be cut in half. These remarks apply to the general price level of commodities as a whole as shown in the price indexes compiled in all countries. Even with the price level steady, the prices of all the individual commodities will go on bobbing up and down like the waves of the sea according to the demand and supply of each. The supply of money, like the tides of the ocean, is the big factor determining the level at which the waves break against the shore even in the greatest storm. Great institutions have been built up to control the supply of money, and by that control to control the world and everything in it.

The most powerful money-machine in the world today is the United States Federal Reserve Board controlling the U.S. dollar, and with vast powers to expand or contract currency and credit at will. The purpose of the Bretton Woods International Monetary Fund is to bind the money systems of all member nations rigidly to the U.S. dollar by means of fixed exchange rates and free convertibility. Free convertibility means that the Government or central bank of a country belonging to the Fund is bound to sell U.S. dollars at the fixed exchange rate and in unlimited quantity to any person requiring dollars in payment of current transactions, and presenting the necessary sum in local money.

In practice, free convertibility means that the amount of money in circulation in a Fund country will depend upon the quantity of U.S. dollars the central bank of that country possesses. It must so arrange things that the demand for dollars is never in excess of the dollars it has at command. If dollars are scarce, it must make its own local currency equally scarce. This, of course, means that it must tighten up money conditions all round, thus forcing down prices and wages, which, in turn, means increasing the burden of all debt—Government debt, local debt, mortgage debt, overdraft debt, &c, &c. On the other hand, should the

dollar supply increase, the local money supply can likewise be increased, with a consequent increase in commodity prices and wages. As the United States exports much more than it imports, has done so for many, many years past, and looks like doing so for many, many years to come, the present and future prospect is for a continuing shortage of dollars all over the world, except in some few countries producing in large quantity the raw materials which the United States imports extensively, such as rubber and other products, mostly tropical.

The position thus is that the money basis which is the foundation of the Bretton Woods Agreement is not one that Britain or any other country—except perhaps some few small tropical countries with a fat dollar balance—would ever think of adopting unless its rulers were insane. The Bretton Woods Agreement was a product- of one thing, and one thing only—a gang of university-bred Communist spies planted in the U.S. Treasury, plus D-Day in Normandy. Without the latter, the entire effort would have fallen as flat as a pancake (1).

Even with the excitement of D-Day and after to distract attention from their legerdemain, the underground stage-managers at Bretton Woods had to proceed with the greatest caution. Their masterpiece of draughtsmanship in that quicksand of deceit the Bretton Woods Agreement is the opening clause in Section 5 of Article IV of the International Monetary Fund constitution. The rest of Section 5 is not very interesting, but to bring the picture into focus it is necessary to print the whole of it. The term par values is equivalent to exchange rates:

SECTION 5—CHANGES IN PAR VALUES

(a) A member shall not propose a change in the par value of its currency except to correct a fundamental disequilibrium.

(1) It is obvious, of course, that the Communist-contrived Bretton Woods trap could not have been sprung had the U.S. financial interests disapproved of it.

(b) A change in the par value of a member's currency may be made only on the proposal of the member and only after consultation with the Fund.

(c) When a change is proposed, the Fund shall first take into account the changes, if any, which have already taken place in the initial par value of the member's currency as determined under Article XX., Section 4. If the proposed change, together with all previous changes, whether increases or decreases, (i.) does not exceed 10 per cent of the initial par value, the Fund shall raise no objection; (ii.) does not exceed a further 10 per cent of the initial par value, the Fund may either concur or object, but shall declare its attitude within 72 hours if the member so requests; (iii.) is not within (i.) or (ii.) above, the Fund may either concur or object, and shall be entitled to a longer period in which to declare its attitude.

(d) Uniform changes in par values made under Section 7 of this Article shall not be taken into account in determining whether a proposed change falls within (i.), (ii.) or (iii.) of (c) above.

(e) A member may change the par value of its currency without the concurrence of the Fund if the change does not affect the international transactions of members of the Fund.

(f) The Fund shall concur in a proposed change which is within the terms of (c) (ii.) or (c) (iii.) above if it is satisfied that the change is necessary to correct a fundamental dis-equilibrium. In particular, provided it is so satisfied, it shall not object to a proposed change because of the domestic social or political policies of the member proposing the change.

The foregoing is the actual text of the Bretton Woods Agreement as printed in the New Zealand Parliamentary Appendices for 1944, A—8, page 21, and also issued separately under title United Nations Monetary and Financial Conference, price 1s. 3d. at the Government Printing Office. It is not light reading.

Next in order we will see what the New Zealand Monetary Royal Commission report of 1956 has to say. The relevant passage will be found on page 182. It reads:

Arguments Against Joining. Loss of Sovereignty in Respect of Exchange Rates and Exchange Restrictions.

822. Members of the Fund lose most of their freedom to alter their exchange rates at will, in that they agree to accept the authority of the Fund in this matter and are required to consult with the Fund before taking action.

823. For changes up to 10 per cent in total the Fund can raise no objection. In respect of another 10 per cent the Fund must concur or object within seventy-two hours. For further alterations the Fund is entitled to a longer period (not specified) in which to declare its attitude. (Article IV.)

824. A member making an unauthorised change in the par value of its currency may be denied the use of the Fund's resources and may be expelled from the Fund in terms of Article XV (2) (b). France at one time was denied access to the Fund's resources, but no country has been expelled on these grounds.

825. The Fund must concur in a change of par values if it is satisfied that the change is necessary to correct "a fundamental disequilibrium". This term is scarcely capable of a precise definition and its interpretation is in the hands of Fund members.

The reader will notice that in the above four paragraphs there is no mention whatever of the all-important opening clause of Section 5 of Article IV. of the Bretton Woods Agreement. Nor is there reference to this clause elsewhere in the report. The four paragraphs are a paraphrase of what appeared in the "representations" or statements submitted to the Commission by the Reserve Bank and the Treasury. These statements are printed in the Reserve Bank book *Monetary and Fiscal Policy in New Zealand*, published in 1955.

The Reserve Bank representation was: "Members of the Fund lose most of their freedom to alter their exchange rates at will, in that they agree to accept the authority of the Fund in this matter and are required

to consult with the Fund before taking action. The Fund has the right to object if it considers the proposed change is unsound, but is also required to approve in certain circumstances" (p. 184).

The Treasury representation, after two opening sentences, says: "Furthermore, each member undertakes not to change the par value without consultation with the Fund. For changes up to 10 per cent in total the Fund can raise no objection." After a few lines about changes beyond 10 per cent and unauthorised changes, the statement adds: "In many ways this is the most onerous obligation imposed on members. The Fund must concur in a change of par values if it is satisfied that the change is necessary to correct a fundamental disequilibrium." (p. 159).

(2) TWISTY DRAUGHTSMANSHIP

Ten and eleven years ago in the early days of the Bretton Woods discussion a great many eminent people missed the core of the matter, as does our Money Report of 1956. Even in New Zealand, however, there were a few dissentients. The Auckland Mirror in February, 1946, summed up the case. It noted statements on the lines of our 1956 Money Report, and it then set out what was actually to be found in the Bretton Woods Agreement:—

"Section 5 of Article IV, which deals with the matter, says explicitly in its first paragraph: '(a) A member shall not propose a change in the par value of its currency except to correct a fundamental disequilibrium.' Article XIX, 'Explanation of Terms,' contains no definition of what constitutes a fundamental disequilibrium, nor is there the least explanation in any part of the agreement of the meaning of these vague terms. Article XVIII provides that any question of interpretation of the provisions of the agreement shall be submitted to the executive directors of the Fund for decision, subject to the further provision that any member may require such interpretation to be referred

to the Board of Governors, whose decision shall be final. This means that before a member country can even ask to be permitted to vary the par value of its currency, even to the slightest extent, it must first satisfy the controllers of the Fund that 'a fundamental disequilibrium' exists in its affairs. What these words mean, heaven alone knows. Stripped of its deceptive verbiage, what this section of the agreement really says is that the Fund may permit a member to vary the gold value of its currency to any extent, but without its consent no variation at all is possible."

The tricky nature of this money control scheme, added the Mirror, was evident from the examination of this one important provision. Lord Pethick Lawrence was mistaken in saying that "we have the absolute right at any time to change our parity up or down," and the London Telegraph and Mr. Nash were likewise mistaken in thinking there was a clear right to make a change. "All alike were deceived by a twistily-drafted document, the language of which entirely lacks the impress of honesty and candour. If the framers of this audacious scheme are as slippery in their actions as in their language, heaven help those who fall into their hands. The first requirement with this deceitful botch of a plan is to send it to a competent law draughtsman to make it say openly what it means."

All this was published more than eleven years ago, when Bretton Woods, its author, and everything surrounding it, stood on the highest pinnacle of financial respectability, and not a whisper had reached the public of the painful facts set out in the first part of this pamphlet. Four years ago those facts were blazoned across America as front-page, scare-headed news in every daily paper. But has anyone ever heard so much as a word from any quarter inside or outside the United States to suggest that the Bretton Woods handiwork of the late Harry Dexter White might now

well be reviewed with considerable advantage to everybody? If not, why not?

Weighty reinforcement of this journalistic view was very soon forthcoming. It so happened that in July, 1946, two professorial economists addressed an open letter to members of Parliament recommending ratification of the Bretton Woods Agreement. They asserted that it: (a) Would not result in an open or disguised return to the gold standard; (b) would permit a 10 per cent alteration in our exchange rate at will; (c) would permit retention of import licensing and exchange control; (d) would not permit U.S. domination; (e) would not unduly favour creditor nations against debtor nations; and (f) would not present difficulties if we wished to withdraw at any time.

In reply to these professorial contentions, Dr. H. A. Cunningham, LL.D., A.I.A.N.Z., of Auckland, wrote a series of eleven articles published in the Auckland Star and Christchurch Star-Sun in September, 1946, and reprinted as a pamphlet. This is the most thorough examination of the Bretton Woods Agreement by a competent legal authority yet published in New Zealand. No one has come forward in reply to it. In so-called pro-and-con articles the Reserve bank has since carried on Bretton Woods propaganda for nine or ten years: that propaganda has ignored the Cunningham conclusions without answering them.

Dr. Cunningham, with chapter and verse, showed that not a single one of the six safeguards which the professors had asserted to be in the agreement were there. They appeared to be there, but were not. The agreement, said Dr. Cunningham, was an involved legal document of some 43 pages, and, he added, "it has not been framed in such a manner that he who runs may read. It is sometimes found that safeguards ostensibly given in one clause are unobtrusively, but none the less effectively, taken away by other clauses. The real meaning can only be arrived at by a painstaking-

ing analysis of all the provisions, and one who attempted to do this without having a legal background could hardly expect to get very far."

On the central point, the right of a member nation to vary its exchange rate—which in a severe depression means its right to preserve itself from bankruptcy—Dr. Cunningham was clear and explicit. The Bretton Woods Agreement, he said, requires a total surrender of this fundamental right. His conclusion was reached on exactly the same grounds as set out in the Mirror extract above, and after a close examination of the entire agreement.

Dr. Cunningham's general conclusion was that no agreement open to such divergent interpretations as the Bretton Woods Agreement could help towards harmony between nations; that it required nations to commit themselves to undertakings which they would very probably be unable to fulfil; that it permitted one nation to impose its will on others; and that it would be unwise to assume that the powers which the United States has under the agreement are not there for use. If, in spite of everything, New Zealand decided to subscribe to the agreement, it should only be as a calculated risk, with the people fully aware of the chances they were taking.

Every word of warning by Dr. Cunningham is reinforced ten times over by the terrible revelations since made about the author of the Bretton Woods Agreement, and by the course of events since the Agreement came into operation. A Fund assemblage today today is a mass meeting of defaulters, on each of whom the Fund can put the screw to any extent it pleases.

(3) AN AMERICAN WALK-OUT

We now come to a second glaring omission, sufficient in itself to invalidate the Money Commission's Bretton Woods recommendation. Nothing is said in either the Commission's report or the Reserve Bank and Treasury

representations, about the fact that in 1945 the United States calmly walked out of a large part of the Bretton Woods Agreement.

Before ratifying the agreement, Congress passed an Act making a string of reservations to it. Thus a student who is energetic enough to wade through the agreement itself and search out all its traps, has by no means got to the bottom of the box. Little or nothing has ever appeared in the news about these reservations. When Dr. Cunningham in September, 1946, pointed out that six safeguards supposed to be in the Harry Dexter White masterpiece were merely architectural illusions, he was obviously unaware that he had a lot more to learn about what was not in the Bretton Woods Agreement for practical purposes.

Throughout 1945 Mr. White had carried on as Assistant Secretary of the U.S. Treasury, assisted by Mr. Virginus Frank Coe and his other like-minded friends. Whether the Bretton Woods Agreement Act 1945, was a product of the Treasury or of Congress the author does not know. This highly interesting enactment lays it down that:

No United States representative on the Monetary Fund or Bank may agree:

- (a) to any change in the United States quota;
- (b) to any change in the par value of the U.S. dollar;
- (c) to any general change in par values by all member nations;
- (d) to subscribe for additional shares in the World Bank;
- (e) to any amendment of the Agreement relating to the Fund or Bank;
- (f) to make any loan to the Fund or Bank;
- (g) to any increase in the capital of the Bank;
- (h) to any waiver of the stringent conditions on which members are entitled to buy the currencies of other members in exchange for their own currency; or
- (i) to any declaration of the dollar as a scarce currency.

The Monetary Fund began operations on March 1, 1947. In the ensuing period of ten years there has been no word of the United States being outvoted by the other members. One takes it that the framer of the above reservations was fully satisfied that America was in a position to rule the roost.

These reservations are of great importance. A whole Article in the agreement is devoted to the rationing of scarce currencies—and "scarce currencies" means first and foremost the U.S. dollar. This Article was supposed to be a supreme safeguard. Free convertibility, which the Fund incessantly pushes for, will completely stop all present exchange control discrimination and leave all members defenceless.

The provision for a general uniform alteration of par values (exchange rates) was likewise supposed to give complete protection against ruin in event of another severe American slump: that protection the reservation wipes out.

A director of our Reserve Bank, in evidence before the Money Commission in 1955, said the "rules" of the Monetary Fund had been under revision for three or four years, but no revision had yet appeared. Does (e) in the U.S. reservation give the explanation?—No loosening of the straitjacket will be tolerated?

The Bretton Woods Agreement is so packed with objectionable features that it is impossible in these pages to do more than mention some of the worst of them.

(1) The Fund is not "a specialised agency of the United Nations" as stated in the Reserve Bank book (p. 184). It is a substantive power, exempt from law and taxation by any government national or international. It was set up a year before United Nations was born, and its only duty is to co-operate with any general or specialised international organisation, what co-operation means is what it chooses to say it means.

(2) The Fund can institute legal proceedings in any court, but no legal proceedings, national or international, may be instituted against it without its permission.

(3) The Fund is free to do business as usual with both sides in any war, and its personnel have at all times full diplomatic immunities and unimpeded transit; its correspondence, assets, property, etc., are free from censorship, search, requisition, confiscation, or seizure of any kind.

(4) Despite the fact that no great modern war has ever been fought on a gold standard basis, there is no provision whatever for relaxation of the Fund's gold and dollar convertibility clauses, or any other clauses of any sort, in time of war.

(5) The Fund constitution ties the currencies of member nations to gold, and at the same time establishes a preposterous one-way traffic in gold—inwards towards itself. Members have to pay in gold out of their mostly scanty reserves on joining: part of any increase must also be paid in, and members are liable to pay gold under all sorts of circumstances. On the other hand, there are no circumstances at all in which the Fund is liable to pay out gold to a member continuing as such. The Fund is a machine for extracting gold from members who do business with it.

(6) All money drawn from the Fund is a loan, the interest rate on which (payable in gold) increases on each successive 25% of a member's quota drawn and also in each succeeding year. When it reaches 5% the Fund thereafter can charge any rate of interest it chooses.

Mountain Brings Forth Mouse

(1) TWO FALSE FRONTS

Both the Bretton Woods twins are false fronts. The International Monetary Fund is a window-dressing exhibit covering machinery for holding the money systems of all nations in subjection to gold and the dollar. As a Fund existing to aid its members, it is a nonentity. It is doubtful whether it was ever intended to be anything else. The aid it can give its members is insignificant, and its prescribed charges are excessive. In reviewing the first ten years of the Fund and Bank, the London Economist (29/9/56) pointed out that the Fund's transactions had continued to shrink steadily in volume, with its expenditure last year more than three times its income, and the resulting loss over \$3 1/2 million, as compared with the previous year's loss of \$2 1/2 million. Commented the Economist: "Far from providing a contribution to the scarce currencies of the world, the Fund on its own account has become an appreciable consumer of dollars. . . . Deprived of any practical day-to-day business activity, the Fund has been equally barren in its advisory role, in the confidence and respect it has been able to command from its member countries, and in its impact on monetary policies throughout the world."

Nevertheless, as a Communist-contrived device for strangling its members financially, economically and politically by tying their currencies to gold which they do not possess and dollars which they cannot obtain, the Fund has been completely effective. Britain has been in continuous difficulties since joining. What

Bretton Woods means at the best of times—with free convertibility still unenforced—was sufficiently seen in the Suez Canal crisis towards the end of last year. Britain had no sooner moved in defence of her interests than she was down on her knees in Washington as a humble supplicant for alms, laid by the heels by her Bretton Woods and other dollar entanglements. Britain's future is likely to be dim until she extricates herself from the trap into which she has been manoeuvred. The unwary and overboomed academic theorist who represented her at the great monetary conference of 1944 had the wool badly pulled over his eyes by men more astute than himself.

The secondary Bretton Woods body, the International Bank for Reconstruction and Development, is not a bank as ordinarily understood, but a device for roping in the members of the Fund as guarantors of American foreign lending. If one institution is joined, the other must also be joined. The Bank is empowered to make or guarantee loans to its members to the amount of its subscribed capital of about \$9000 million, only 20% of which is paid up. Most of the \$2000 million out on loan has been raised in the United States. The United States holds 27 1/2% of the shares in the Bank, and it follows that 72 1/2% of the losses made by the Bank will fall on the other nations holding shares.

It thus appears that the 57 non-American nations in the Bank have been brought in to back the bills of Bank borrowers—in other words, to wet-nurse the international moneylenders of Wall Street in any future slump. The Bank's constitution looks carefully after the interests of these gentlemen. In addition to ringing in all the Fund members as guarantors of its loans, the Bank levies on its borrowers a guarantee charge of 1% per annum, in addition to interest. The London Economist remarks that this guarantee charge is at "a figure which adds appreciably to the cost of borrowing from the Bank and which swells the international de-

mand for U.S. dollars." Both the Bretton Woods twins see to it that the dollars they send abroad move back with minimum delay. It is not surprising to learn from the Treasury statement to our Money Commission that it is hard to borrow dollars now except through the Bretton Woods Bank. Where else are the lenders so well looked after at the expense of their debtors?

Our Money Commission report describes defaults by International Bank borrowers as "a remote contingency", the Treasury submission having advised it that calls on the shareholders are "an unlikely event." London Economist does not bank so heavily on the millennium being just around the corner. Losses, it says, "sooner or later, even in the most ideal of conceivable but realistic worlds, are bound to occur." However, the Bank's guarantee charge has enabled it to pile up in ten years a reserve fund equal to more than 10% of its loans, and the Economist considers this "an ample cushion." The Treasury submission to the Money Commission told us that the Bretton Woods aim is to provide aid so as to prevent a recession in one country from becoming a world slump. The first point in weighing up Bretton Woods as a slump insurance policy is thus to consider the adequacy of the cover it provides.

From the rise of banking about 1750, to the first world war in 1914, a feature of business life was a money panic every ten years or so with the weaker bank debtors cleaned out and sold up, and with runs on the banks by nervous depositors seeking to exchange bank paper for lawful money—the sole legal tender money, then being gold and silver coin issued by the Royal Mint. Bankers who failed to redeem their notes in coin went to gaol. This latter inconvenient arrangement was brought to an end when war came in 1914. By a benevolent proclamation the gold was swept into the banks, and the public has since done business in paper money. Across the Atlantic a new money

machine came into operation at the beginning of 1914, the U.S. Federal Reserve banking system endowed with unprecedented powers to expand and contract bank credit at will. By lending increasingly inflated dollars to the warring European nations and stipulating for repayment in gold, American financiers sucked away a great part of Europe's gold. Subsequently two world depressions, plus a second world war, put these gentlemen in possession of most of the rest of the gold. The 1956 Bank for International Settlements report (p.-157) shows slightly more than 75% of the world's monetary gold as now reposing in U.S.A. (no figures supplied by the Soviet and satellites) (1).

The U.S. Federal Reserve was deemed such a success that the international financiers in conference at Genoa in 1922 decided to set up reserve banks in all countries. Even little New Zealand was bidden to conform, and its politicians dutifully did so. The chief product to date of the new scientific money era ushered in by World War I has been an ever-increasing instability in the purchasing power of money. Dominated by the U.S. Federal Reserve, the world network of central banks has rocked the boat as never before in history. Economic science has ended the pettifogging money panics of the past, and bankers are free to do whatever they like without the least fear of gaol. With this freedom from anxiety, the aspirations of the money controllers have soared higher and higher. Since 1914 there have been four great money disturbances, all of them originating in the U.S.A., and three at least of them alleged by well-informed U.S. Congressmen to have been deliberately produced. All of these world-shaking disturbances—two booms and two depressions—have been greater than anything previously recorded in history, and each more violent than the last.

(1) The B.I.S. graph shows the U.S. gold stock as about 58% of the world total, plus another 17% or so held in U.S.A. on foreign account, some of it in the International Monetary Fund.

In face of the history of the past forty-three years, the first requirement of any well-governed country is an adequate slump-defence plan, and any rational plan must be capable of standing up to conditions at least as severe as experienced in the 1930s. In that depression important foodstuffs fell 60% in price, essential industrial raw materials fully 50%, and wheat in terms of gold touched its lowest price in over 400 years. Bankers and investors lost more on their foreign holdings than in the war of 1914-18. In 1929 the foreign investment income of the four greatest creditor nations was \$2104 million, and in 1938 it was down to \$1470 million consequent on losses in the depression (2). That was the international moneylending position five years out on the road to recovery. New Zealand export prices did not recover to their pre-slump level until 1943.

In the depression New Zealand's export income fell from £55 million in 1929 to £22 million in 1933 in terms of gold (3). For practical purposes the New Zealand pound was at parity with gold in 1929, but most fortunately for us it was far away from parity with gold in 1933, and export income in that year in terms of New Zealand currency was thereby lifted to £41 million. Over 90% of our exports are farm products, and provide the bulk of farm income, the mainstay of our country.

Currency depreciation by Britain and ourselves reduced our loss of export income in 1933 from £33 million to £14 million, and thus put £19 million into the pockets of the people in the worst year in our history. We cut our loss by nearly 12s. in the pound.

Even with this relief we had ail-but 80,000 adult male workers unemployed in 1933, which, allowing two dependents for each man, means that about one person in every six or seven in the entire population was

(2) See B.I.S. reports for figures cited: 1936, p. 6; 1940, p.7; and 1956. p. 100.

(3) See N.Z. Official Year Book. 1937, pp. 171 and 173.

dependent on the meagre relief wage of the period. The reader can picture what our condition would have been with our money kept at parity with gold throughout the depression and export income thereby reduced to £22 million.

(2) THE ROAD TO RUIN IN A SLUMP

What we did in 1933 is what Bretton Woods denies its members the right to do. Their money is given a fixed gold value on admission to membership of the International Monetary Fund, and that value cannot be changed without the Fund's consent. In the agreement there is a clause empowering the Fund by a majority vote to make a general proportionate alteration in the gold value of the currencies of all members. This was asserted to give complete protection in event of a future slump. The clause, however, requires the unanimous consent of the more important members, and the U.S. Bretton Woods Act of 1945, as noted on page 30, forbids any U.S. representative to agree to any such general change of gold values. The slump escape clause is as dead as a door nail. Having noted what Bretton Woods takes away from us, the next thing is to discover what we get in return for this surrender. What does it amount to as a slump insurance proposition?

The price of admission to the Fund and Bank for a latecomer is what these institutions prescribe. Most of the members inside are there on the original quotas. The original Fund quota for New Zealand was \$50 million (£17.9) plus a share subscription to the Bank of the same amount, only 20% of which Bank subscription is payable on admission. The immediate outlay in respect of both institutions would be: 10% of our gold and dollar holdings, about £1.6 million, plus £19.9 million in N.Z. currency and securities made available to these institutions to draw upon, a total

outlay of £21.5 million. In the background would be a contingent liability of £143 million to the Bank callable as required to meet defaults by its debtors. Our total commitment would be £35.8 million (4).

The benefits to be derived would be: (1) the right to draw from the Fund £17.9 million in such of the currencies of other members as we required; and (2) the right to apply to the Bank for a loan, but without any obligation on the Bank necessarily to grant the loan—its constitution restricts its lending to borrowers unable to raise money elsewhere on reasonable terms (Art. III, 4b).

Against the Fund benefit of £17.9 million, would be the liability to pay £14.3 million in Bank calls to cover losses. If such losses occurred it would almost certainly be in a severe depression in which we ourselves needed maximum aid. The Bank calls have to be paid in gold, dollars, or such other currencies as the Bank may require.

The difference between what we could draw from the Fund and what the Bank could call up is £3.6 million. That is the one positive figure emerging from Bretton Woods as a slump insurance policy. Any higher figure is a speculative figure which may or may not be realised. This £3.6 million, moreover, is the gross return on our Bretton Woods investment. To gain it we would have paid in on admission £1.6 million out of our existing gold and dollar reserves. Our net gain would thus be £2 million. That is Bretton Woods at its worst. Even if the heavens fell, our £35.8 million slump insurance premium would produce £2 million in our utmost need.

Bretton Woods at its best, with no calls by the Bank and a full pay-out by the Fund, would give us £17.9 million in foreign exchange in a depression. Deducting our initial pay-in of £1.6 million in gold and dollars, the net relief would be £16.3 million. This

(4) See N.Z. Monetary Commission Report, 1956, par. 836.

relief would not be payable in a lump sum. The maximum amount drawable in any year is 25% of the £17.9 million gross. If the Bank makes losses, the maximum rate at which it can call up its capital is 5% in three months, which means 20% per annum. Thus, of a maximum Fund pay-out of £4.5 million in any year, the maximum the Bank could absorb would be £3.6 million, leaving us with not quite a million in hand for the year.

Today our New Zealand pound is at parity with gold, just as it was prior to the depression of the 1930s. Our export income now runs around the £250 million mark. A fall in export prices to the same extent as in the worst year of the last depression would crash export income down to £100 million. Our income deficiency would be £150 million. In relief of that loss Bretton Woods at its very best would hand us £4.5 million, a sum equal to about 7id. in the pound on our loss. Last time, as noted earlier, self-help action paid a dividend of nearly 12s. in the pound, and could have done a lot better still had we been more intelligent and less timid.

Not only has an American reservation killed the slump escape clause in the Bretton Woods Agreement, but in its foremost article "Purposes" the agreement itself damns the whole principle of any such protective action, miscalling it "competitive exchange depreciation." This phrase was invented in American financial circles to express disgust when Britain and some 35 other countries abandoned the gold standard between 1931 and 1933. It implied that these countries had tried to overreach one another and had hurt world trade in what they did. They did nothing of the sort, and what they did benefited trade. Mr. R. G. Hawtrey, former British Treasury expert, went over the whole ground in detail in his *Gold Standard in Theory and Practice* (1945), and summed it up:—

The essential advantage of abandoning the gold

standard is that the value of the currency can be adjusted to the point at which prices and costs are in equilibrium. Here is the key to the unemployment problem."

In Mr. Hawtrey's opinion, the nations leaving gold in the great slump should have made the full adjustment needed to bring their internal prices right back to the pre-slump level. The disturbance in an exchange rate alteration is the same whether the alteration is 10% or 30% or 60%. The important thing is to bring the economy right back to balance—not halfway back.

Here is an unbiased account of what Britain achieved by abandoning gold—unbiased because it comes from a money machine set up in 1930 to run a world gold standard, the Bank for International Settlements. In its 1944 report the B.I.S. said (p. 117):

"The profound belief of the British public in the advantages of an 'elastic' currency arrangement is largely based on the great economic and social improvements which came about in Great Britain during the years following the suspension of gold payments in 1931. There was never the slightest hint of a lack of confidence in the currency . . . the pound unquestionably remained a pound in the everyday business of life. On the world commodity market prices followed sterling rather than gold. . . . The emergence of the 'sterling area' meant that a considerable part of the world followed the lead of sterling, and this gave strength and cohesion to the price level ruling within the area and, inter alia, bestowed upon the countries belonging to it, most of the advantages of exchange stability, namely, stability in relation to that part of the world in the trade of which they were most interested."

That was what the unhappy leader of the British delegation at Bretton Woods allowed himself to be bounced into throwing away. Here we have Mr.

Churchill's account in July, 1952, of what was brought home from the bargain counter:

"Tragic indeed is the spectacle of the might, majesty, dominion and power of the once magnificent and still considerable British Empire having to worry and wonder how we can pay our monthly bills . . . We cannot live from hand to mouth and from month to month in this world of change and turmoil. We must create by long and steady systems of trade and exchange throughout our Empire and Commonwealth, and throughout the wider world, reserves of strength and solvency which enable us to rise solid, steadfast and superior... Thus and thus alone can we stand firm and unbroken against all the winds that blow."

In 1938, with a stable currency untied to gold, Britain sat comfortably with gold and dollar reserves equal to nearly nine months' imports. Nowadays, a chained-up prisoner in the Bretton Woods gold menagerie, she counts herself lucky with three months' reserve in hand. Commenting on the Bretton Woods achievement in the Fund's first five years, Mr. R. G. Hawtrey remarked that it had transmitted in full force to its member countries all the fluctuations in the purchasing power of gold and the dollar emanating from U.S. Federal Reserve money policies, and had thereby created "a fundamental disequilibrium" in their monetary affairs every few weeks. Fixed rates of exchange in such circumstances were intolerable.

(3) INTERNAL INTERFERENCE

On an earlier page it was remarked that an International Monetary Fund gathering today is a mass meeting of defaulters. The Bretton Woods Agreement set its members tasks which most of them have found impossible to fulfil. It required them from the outset to maintain their paper currencies at a fixed value in gold and in U.S. gold-based dollars unalter-

able without permission; and it further laid down that on the expiration of five years from the first operation of the Fund members must make their currencies freely convertible into gold and dollars, removing all exchange restrictions. The due date arrived on March 1, 1952, since when the British countries in the Fund, and most of the others, have been in default on the free convertibility obligation.

Britain was singled out for specially severe treatment as part of the price for the dollar loan negotiated in 1945. From the first day she drew upon the loan sterling held by residents of the United States on account of current transactions had to be made convertible into dollars, and the same had to be done for residents of all other countries a year later. The first obligation was duly honoured, and the second likewise on the due date, July 15, 1947. Britain's borrowed dollars thereupon fled at such a rate that free convertibility had to be suspended in less than six weeks. Ever since August 21, 1947, Britain has been in default. She had entered into an obligation which, if persisted in, led straight to bankruptcy.

The means employed to stampede Britain and America's other wartime Allies into an undertaking completely beyond their powers to fulfil were noted in the early pages of this pamphlet, as were also the records of the personnel who framed this demand in the name of the United States. It was also shown that in what he did in other matters in 1944 the principal author of the Bretton Woods Agreement had placed the interests of Soviet Russia high above all other considerations. The question therefore arises whether Bretton Woods was designed from the outset with the express purpose of ensuring that member nations—and, in particular, Britain and the British countries—should be so entangled that they could neither meet their Bretton Woods obligations nor escape from the Fund. Withdrawal from the Fund is far from easy to a mem-

bcr in financial difficulties. On its side the Fund can suspend or expel a member in default on its obligations. If the departing member owes money to the Fund—as will almost certainly be the case—the debt must be repaid in gold or convertible currency. The complicated provisions have very obviously been drafted to discourage thoughts of exit.

New Zealand's Money Commission tells us that fears of the Fund interfering in our internal affairs are groundless (par. 838). It is true that the Fund's constitution says that on a member asking to change the gold value of its money the Fund shall not object because of the member's "domestic, social, or political policies" (IV, 5f). It is also true that another provision (VIII, 5) lays down that members must supply the Fund with "such information as it deems necessary" about their affairs, and proceeds to list under 12 headings almost everything possible "as the minimum necessary." The only limitation is that the information need not be supplied in such detail as to disclose "the affairs of individuals or corporations." This limitation the next clause more or less wipes out by laying down that the Fund may obtain "further information by agreement." Can a member in default afford to be disagreeable in the matter?

This thirst for information about other people's affairs reminds us that, according to exhibits produced and certified on oath, one of the architects of the Fund formerly specialised in secretly passing on to Moscow confidential U.S.. Treasury information. The Fund obviously opened up wider sources of supply. However, there was an immediate object in view, as the concluding words of the section reveal: "the preparation of studies to assist members in developing policies which further the purposes of the Fund." The main purpose of the Fund is to hold all nations on the gold standard—or, as an eminent American, the late William Jennings Bryan, expressed it many years ago: "to

crucify mankind on a cross of gold." What are the policies which must be developed to achieve this end?

It so happens that another great institution in exactly the same line of business as the Bretton Woods Fund has provided an answer to this very question. In 1944, on the Fund being instituted, it discussed what the newcomer must do to make a success of its task of keeping all nations tied to gold. The Fund must keep an eagle and all-seeing eye on the internal affairs of all these nations. It is completely futile to sit idly by until a member comes and asks for a change in the parity of its currency. The Fund must be up and about long before any such point is reached. Here is the gist of the matter:—

"In order to make a real contribution to increased exchange stability, the Fund must gain an influence over all those essential factors which determine the currency developments in the different countries, and these are largely of a domestic character (public finances, nominal wages, tariffs, etc.)."

The extract is from the 1944 report of the Bank for International Settlements (p. 114). The B.I.S. was set up in 1930 by the League of Nations in collaboration with Mr. Montagu Norman, Dr. Hjalmar Schacht, and other like-minded gentlemen. Its purpose was to hold the new world network of reserve banks on the gold standard. It lacked the teeth to keep them there in the great depression, and a closing resolution at the Bretton Woods conference decreed its liquidation "at the earliest possible moment" (execution not yet effected). In September last the gentleman who has been economic adviser to the B.I.S. since 1938 was appointed managing director and executive head of the Bretton Woods Fund.

If the B.I.S. view is sound, it means that if New Zealand joins up with Bretton Woods, as recommend-

ed by its late Money Commission, it may among other things presently find the Fund seeking to "gain an influence" over the wage decisions of its Arbitration Court.

The late Lord Bryce, veteran British statesman, ambassador and constitutional historian, in his *Modern Democracies* told us that the money power "works secretly" by devious routes. It certainly takes a very close interest in what those who come to it for aid do with the good money it supplies, and sometimes secrecy in the matter disappears. In August, 1931, Britain borrowed gold in America, in a vain endeavour to remain on the gold standard. As a condition of the loan the international financiers insisted that the pittance of 17s. weekly then being paid to Britain's 2,800,000 workless must be cut to 15s. 3d. No equivalent saving elsewhere would satisfy them. The British Ministry accepted this dictate, but the gold standard went within a month. An indignant Minister revealed what had happened (1). Today, with Britain recently on her knees to the American moneylenders, we find her busy cutting down her armed forces throughout the world in order to reduce expenditure. Thus is the world made safe for Communism.

(1) Dr. C. Addison (later Lord Addison), Minister of Agriculture to 25/8/31, speaking at Swindon, 26/8/31 (vide London "Morning Post").

Whither Goes America?

(1) SOVIET-SERVING WORLD POLICIES

For many years past, American world policies have had an uncanny way of dovetailing in with Soviet policies. British rule has been a principal factor in maintaining order over large tracts of the world, and the Union Jack has been the greatest enemy of the Red Flag. American world policy to date has consisted in talking against Communism and acting in favour of it: in weakening and whittling down the power of the anti-Communist nations and creating power vacuums into which Communism can spread. Bretton Woods does the job at the financial end. As will be noted presently, the whole galaxy of the Roosevelt-Truman international organisations are cut to the same pattern. The great mass of the American people are thoroughly anti-Communist: the American Government is anti-Communist in words, but a most uncertain quantity when it comes to deeds. That is the report of many patriotic and informed Americans themselves. Consider, for instance, the following statements:—

Said General Patrick J. Hurley in his letter of November 26, 1945, to President Truman, resigning his post as U.S. Ambassador to China: "The astonishing feature of our foreign policy is the wide discrepancy between our announced policies and our conduct of international relations."

Said Major-General Charles A. Willoughby, chief of staff to General MacArthur, U.S. Supreme Com-

mander in the Pacific: "The Communisation of China was engineered by American brains" (MacArthur. 1941 - 1951, by Maj.-Gen. Willoughby and John Chamberlin, 1956, p.304).

Said U.S. Senator William E. Jenner in Congress on April 4, 1951: "I charge that this country today is in the hands of a secret inner coterie directed by agents of the Soviet Government."

Said Harry Elmer Barnes, well-known American sociologist: "We have brought Soviet Russia to a position of complete domination in the Old World, destroyed for generations the balance of power, and brought about a situation where we can check Russian expansion only by a third world war which will finish off what remains of civilisation" (The Struggle Against the Historical Blackout, 1951, p. 35).

Similar opinions by well-known Americans are to be found on every side, all voicing a deep-seated feeling that "something is rotten in the state of Denmark." For light on the source of that rottenness we turn to the first and last of the twelve conclusions at the end of the Interlocking Subversion report in 1953 of the U.S. Senate Internal Security Subcommittee previously quoted herein:

"1. The Soviet international organisation has carried on a successful penetration of the United States Government and this penetration has not been fully exposed.

"12. Policies and programmes laid down by members of this Soviet conspiracy are still in effect within our Government and constitute a continuing hazard to our national security."

Other conclusions were that the penetration of government has extended from the lower ranks to top-level policy and operating positions; that its agents have acted in accordance with a design laid down by

their Soviet superiors; that the penetration was first into agencies connected into economic recovery, then to war-making agencies, then to agencies connected with foreign policy and post-war planning, always moving to the focal point of national policy; that, in general, the Communists worked behind the scenes, guiding research and memoranda on which basic American policies were set, drafting laws, manipulating administrative reorganisations, writing speeches for Cabinet officers, influencing Congressional investigations—always in the interests of their Soviet superiors; and that thousands of diplomatic, political, military, scientific and economic secrets of the U.S. Government have been stolen by Soviet agents in Government and Communists closely connected with them.

These conclusions are bad enough, but worse follows when it comes to the attitude of those in authority. On this point the report says the Federal Bureau of Investigation and other security agencies reported extensively on the Communist penetration, but little was done by the executive branch to interrupt the Soviet operatives in their ascent in Government until Congressional committees brought the facts to public light. Even so, the facts were unwelcome: "Powerful groups and individuals within the executive were at work obstructing and weakening the effort to eliminate Soviet agents from positions in Government." Moreover, members of the conspiracy repeatedly swore to oaths denying Communist Party membership when seeking appointments, transfers and promotions, and "these falsifications in virtually every case went unpunished."

The plain fact of the matter is that the Roosevelt-Truman New Deal Administration was pro-Soviet and anti-British from the day it first gained office in 1933. The New Deal Administration began by reversing previous United States policies on two important points. It invited the Soviet Government in Mos-

cow to enter into diplomatic relations with it and to establish an Embassy in Washington, all previous American Administrations having been flatly against any such proceeding. At the same time it objected to British Empire preferential tariffs, accepted without demur by all American Administrations during the preceding thirty-six years of their existence.

At the invitation of President Roosevelt, Mr. Litvinoff, Soviet Commissar of Foreign Affairs, crossed the Atlantic in the royal suite in the Berengaria, and graciously accepted the American offer of recognition on November 17, 1933. Mr. Litvinoff the previous day had even gone so far as to sign an undertaking that the Soviet Union would not permit the existence on its territory of any organisation which had as its aim the overthrow by force of the Government of U.S.A. or of any part thereof. A month later the Communist International in Moscow ordered all Communist Parties throughout the world to intensify revolutionary preparation for the seizure of power. In January, 1934, the central committee of the Communist Party of the U.S.A. advised its branches that the above instruction "applies fully to the United States," and the U.S. Communist convention presently confirmed this. Diplomatic relations continued undisturbed and diplomatic immunity left the Soviet officials in Washington free to help along the good work.

(2) BRITAIN THE ENEMY

On the side of British Empire Preference it was a different story. Empire Preference originated in Canada in 1897 when Sir Wilfrid Laurier gave British goods a 33% cut in tariff duties. Australia, New Zealand and South Africa presently followed suit. The preferences at this time were all on one side, Britain being free-trade. When the great American-made depression burst upon the world abandonment of the

gold standard in 1931, and the strengthening of Empire Preference were the big factors in seeing Britain and her Empire through. At the Ottawa Conference of 1932 Britain gave return preferences and the system generally was expanded.

In the House of Lords on December 18, 1945, Viscount Bennett told what resulted. As Mr. Bennett, he was Prime Minister of Canada in the 1930s and knew whereof he spoke. Of the preference given by Britain to Canada at Ottawa, he said: "That preference saved Canada from bankruptcy, and in every part of the British Empire it was of the utmost value." Lord Bennett further said: "I am not disclosing any great secret by saying that the United States has consistently endeavoured since 1933-34 to destroy the preferences." In 1938 as the result of a continued effort by the United States the preferences were much reduced, and one to which Canada attached the greatest possible value—namely, the preference on wheat—was abandoned altogether. Not satisfied with that, the United States sought to destroy the whole system.

Even before Pearl Harbour enabled the New Dealers to bring America into the war, the slaughter of British Empire preference was in the forefront of their minds, and they sought to drag it into the so-called Atlantic Charter of August, 1941. Mr. Churchill, however, saved it by qualifying words. When Bretton Woods, plus the dollar loan, at last enabled them to reshackle sterling to gold they again demanded the sacrifice of preference. The same creepy-crawly draughtsmanship that marked the hood-winking "fundamental disequilibrium" clause in the Bretton Woods agreement reappeared in the trade proposals which Britain was required to accept in order to borrow dollars.

In the trade proposals tied on to the dollar loan there was no direct reference whatever to British Empire Preference. The Communist underground were

far too clever to go about their business in that crude way. Neither in the original trade proposals of 1945, nor in the resulting GATT document of 1948, is the existence of any such entity as the British Empire or Commonwealth recognised at any stage. When in the First Schedule of GATT it finally becomes necessary to name the British countries, they appear in Annex A as "List of Territories Referred to in Paragraph 2 (a) of Article I." Annex B lists the "territories of the French Union"; Annex C, "the territories of Belgium, Luxemburg, and The Netherlands", and Annex D, "the territories of the United States.-" The Annex A list is apparently just a pro tem. bunch of miscellaneous countries awaiting future disposal by the Washington underground and its friends abroad. Anti-British bias is visible in every detail of every move.

Britain had given the people of her overseas possessions a greater freedom in self-government than ever before enjoyed by the peoples of any political union known to history. One feature of that freedom was the right of each overseas British country to impose such customs duties as it sees fit. In drafting their international trade proposals the Washington New Dealers seized upon this fact to destroy the British Empire as an economic unit. They laid it down that international trade was to be open to all members of their proposed international organisation on equal terms, without discrimination, and they further laid it down that each separate "customs territory" was to be a separate member. Those provisions, in one fell swoop, turned trade between British countries into international trade, and killed stone-dead the right of the British Empire to have any internal economic relations. All British Empire inter-trade was to be controlled by an international organisation, which organisation was to dictate how one British country was to treat another British country. This preposterous demand a British Ministry accepted in order to get a

loan of 3750 million dollars, which loan slipped through its fingers like water and vanished in less than eighteen months. New Zealand, without even being bribed with a single dollar, walked into this Empire-destroying trap. We have had enough sense so far to keep out of Bretton Woods, and the sooner we get out of GATT the better.

(3) UNO AND ANZUS

With respect to the United Nations Organisation, the most fortunate thing about that body is that the members of its omnipotent Security Council have never yet been in agreement on any matter of importance. If they ever do reach such agreement, it will most probably be but a short step to the extinction of human liberty upon the earth. Allegedly to coax Russia into joining it, but more probably from the inclination of some of its architects and organisers—not forgetting Mr. Alger Hiss, later in the penitentiary for perjured denials of communist espionage—the United Nations Organisation is based on the Leninistic principle that the dictatorship of the proletariat is force, unlimited by any rule or law whatsoever. In the old League of Nations, no nation could be coerced against its will. All decisions had to be unanimous. In UNO unanimity is required only in the Security Council. If the five permanent members of the Security Council are agreed, and can carry the two non-permanent members along with them, they can do or decree whatsoever they list without regard to any law or principle of any kind, and the other nations must conform (1).

(1) See "The Crisis in the Law of Nations," by Prof. H. A. Smith. University of London, 1951.

Concerning Dr. Pasvolsky, drafter of Uno's Charter, the "Chicago Tribune" stated: "Leo Pasvolsky knows more about the new peace league than any other person. He wrote the first draft of the charter and attended its revision from the first day of Dumbarton Oaks to the last day of the San Fran-

The Anzus Pact of 1952 likewise carries within it the marks of New Deal underground origin. Once again everything turns on a phrase. In Bretton Woods we saw the slippery use made of "fundamental disequilibrium," and how the sterling area was damned out of hand as "competitive depreciation" without so much as being directly named. In GATT, again without being named, the economic unity of the British Empire and Commonwealth was destroyed by means of another phrase "customs territory", effectively used to turn British countries into foreign nations with respect to one another in trading matters. In the Anzus Pact the New Deal phrase-making department reached highwater mark to date by means of another two words—"constitutional processes."

Nervousness in Australia at the apparently soft peace which the United States was about to make with Japan led members of that country's war-time Labour Government to talk of the need for a United States guarantee of support against future trouble. Washington obligingly responded with the Anzus Security Treaty, to which New Zealand unwisely became a party. The actual document is slightly different from what our Australian cousins originally had in mind. They wanted a treaty guaranteeing that the U.S.A. would defend them if they were attacked. What they put their name to, and New Zealand along with them, was a treaty guaranteeing to defend the U.S.A. if it was attacked in the Pacific, but with no like obligation on the U.S.A. to come to the rescue in event of an

cisco Conference He was brought into the (State) Department as an economist . . . and successively advanced to the highest rank outside positions subject to Senate confirmation. Pasvolsky, now a naturalised American citizen, was born in Pavlograd, Russia, 1893, and came to U.S.A. with his parents in 1905 ... He has published several works on Russia, including the 'Economics of Communism' " (condensed from "Common Sense", N.Y.. 15/10/52).

attack on either Australia or New Zealand. Here is the guarantee clause:

"Each Party recognises that an armed attack in the pacific area on any of the Parties would be dangerous to its own peace and safety and declares that it would act to meet the common danger in accordance with its constitutional processes."

In British countries the Crown makes treaties and the Crown makes war. In the pact the Crown undertook to act as it had power to act. Under the U.S. Constitution the powers are in water-tight compartments. The President, with two-thirds of the Senators present consenting, can make treaties. The Congress alone can declare war. There is nothing in the pact binding Congress to declare war: Congress has been no party to the document; and neither President nor Senate has control of Congress.

The pact was born of a bright Australian brainwave of getting something for nothing. If we want the help in war of the U.S.A., or any other foreign nation, we can be quite certain we shall have to pay through the nose for it.. The pact in no way alters that position. Instead of sticking solidly together with our kinsmen in the Empire we have entangled ourselves in military matters with a nation whose foreign policy to date has created the very dangers against which we seek defence. Canada appears to have acted with greater circumspection.

It is not surprising to find Article X of the pact stating, "This Treaty shall remain in force indefinitely."

Cleansing The New Deal Stables

(1) A TASK FOR HERCULES

New Zealand has had the sense to keep out of the Bretton Woods trap for thirteen years, and, despite painstaking search, its recent Monetary Commission was unable to discover benefits lost in consequence. The evidence now points to other post-war world organisations being likewise the product of the Communist underground inside the U.S. Government, and the indications are that the house-cleaning at Washington has a long way yet to go.

From the U.S. Interlocking Subversion report of 1953, the chief result to date appears to be the exposure of two high-placed Soviet spy rings inside Government, and knowledge of the existence of two others. Both rings exposed appear to have acted under direction of the Soviet military attache at the Washington Embassy. Their exposure was due to the defection of two agents acting as couriers and intermediaries between the rings and the Soviet officials—Whittaker Chambers breaking in 1939, and Miss Elizabeth Bentley in 1945. Immediately on defection both had made detailed statements to the Government of their activities and contacts. No effective action was taken until Congress got wind of the matter in 1948 and examined the two above-named persons. The immediate result was the prosecution, conviction and imprisonment of Alger Hiss, sentenced in January, 1950.

After service in high office in the U.S. State Department, Mr. Hiss on arrest was president of the Car-

negie Foundation for International Peace, and had previously been organising-secretary of the Dumbarton Oaks conference framing the United Nations, and secretary-general of the San Francisco Conference of 1945 constituting it. Prior to this he had been personal adviser to President Roosevelt at Yalta, when great tracts of the earth were consigned to Soviet domination. He was convicted of perjured denials of Communist espionage. Since then Congressional investigation has been more or less continuous.

It so happened that the defection on September 5, 1945, of Igor Gouzenko threw a flood of light on the scope and method of Soviet espionage operations abroad. Mr. Gouzenko was cipher clerk to the Soviet military attache at Ottawa and on defection handed over to the Canadian police a large number of documents from the files in his office. After these had been translated and examined a Royal Commission was set up in February, 1946, and reported in June of that year. The result was the trial and conviction by 1947 of eleven persons as Soviet spies, including a Canadian M.P. and a high-placed British scientist, and leads on the activities of some hundreds of other suspects.

According to Gouzenko, the Soviet had at least five spy networks operating independently in Canada, each under a different Embassy official, each reporting to a different head in Moscow and using a different cipher, each employing different agents in Canada, and each ignorant of the activities of the other rings. Independent of these Embassy networks, every Soviet consul had a network of his own. To the best of his knowledge this was the normal Soviet set-up in all countries. His personal knowledge of Soviet espionage in Canada was confined entirely to the matter passing through his hands from the military attache. The military attache had been alarmed on accidentally discovering that entirely unknown to him a parallel Soviet military network was operating in Canada. The

Canadian Commission said it found Gouzenko a reliable witness, and everything in his evidence and in the documents susceptible to check had proved correct. If this was the situation in Canada, the probability is that operations in the U.S.A. are on a more extensive scale still. The American investigation, moreover, has been conducted under handicaps not existing in British countries. Under the U.S. Statute of Limitations a charge of espionage must be brought within three years of the acts alleged. Alger Hiss was thus immune in respect of acts in 1934-39, but was convicted of perjury in his denials of espionage activity. Since the Hiss conviction for perjury, most of the suspects examined have taken advantage of the Fifth Amendment to the U.S. Constitution providing that no person can be compelled to be a witness against himself. Under this umbrella, the worst that can happen appears to be loss of office. The alleged members of the Treasury spy ring used it with success, their testimony being largely a continuous refusal to answer questions.

(2) ANOTHER ASPECT

In its report, the Canadian Commission touched on an aspect of Communism noted by many writers from Benjamin Disraeli onwards (1). "It is significant," said the report, "that a number of the documents from the Russian Embassy specifically note "Jew" or "Jewess" in the entries on their relevant Canadian agents or prospective agents, showing that the Russian Fifth Column leaders attached particular significance to this matter" (p. 82). The report recorded that the two persons figuring most prominently therein were both Jews—the convicted Canadian M.P., Fred Rose, was a Polish-bom Jew whose real name was Rosenberg; and

(1) See "Lord George Bentinck" by Benjamin Disraeli, afterwards Lord Beaconsfield and Prime Minister of Britain, 1858 edition, p. 357.

the organising secretary of the Canadian Communist Party. Sam Carr (alias Sam Cohen), who fled the country to avoid arrest, was a Russian-born Jew whose real name was Schmil Kogan. The Jewish element was noticeable in the personnel reported on.

The U.S. Interlocking Subversion report of 1953 is silent on this aspect of Communism, but a large percentage of the names of the persons reported on and mentioned in the evidence speak for themselves. A quarter of a century back American Government reports did not hesitate to mention the Jewishness of Communism. In the 1931 Investigation of Communist Propaganda report by a U.S. House of Representatives Committee, of which Mr. Hamilton Fish Jr. was chairman, the following facts were noted: that "a large percentage of all the known Communist district organisers are of Jewish origin" (p. 14); that "the largest daily Communist newspaper is the Morning Freiheit published in Yiddish in New York City" (p. 20)—with about double the circulation of the Communist Daily Worker: and that in the Communist summer youth camps around New York, up to 90% of the attendance is estimated to be Jewish (p. 28). The committee reported after hearing 275 witnesses in every section of the U.S.A. (p. 1).

In its first seven years to 1940 the Roosevelt Administration (vide Herbert Hoover Memoirs, III, 382) increased the number of U.S. Government civil employees from 566,000 to 1,002,000, most of the appointees being exempted from civil service requirements. The Jewish Examiner of Brooklyn, N.Y., October 20, 1933, wrote of "the Roosevelt Administration, which has appointed more Jews to fill influential positions than any previous administration in American history." Not all Jews felt so happy, and another Jewish paper Der Tog noted that a deputation of prominent Jews had vainly asked a leading Jewish personality in Washington to use his influence to have what they considered the

excessive number of Jewish appointees reduced. There was presently widespread comment also on the large number of New Deal appointees with Communist and near-Communist associations.

In his book of 1952, *The Iron Curtain Over America* (1) Mr. John Beaty, a Texas university teacher who served as major and lieutenant-colonel with U.S. Military Intelligence through the second world war, directs attention to what he considers the undue influence exerted on American policy by a non-assimilable sector of its population of East European origin and Jewish belief. He points out that in 1877 the Jewish population of about 280,000 in U.S.A., mostly of Sephardic (Palestinian) origin, was assimilated with the general population, but was presently overwhelmed by an influx of a different type. "These newcomers," he writes, "arrived in vast hordes—especially from territory under the sovereignty of Russia, the total number of legally recorded immigrants from that country between 1881 and 1920 being 3,237,079 (*The Immigration and Naturalisation Systems of the United States*, p. 817) most of them Jews" (p. 37). The census of 1936 showed 3728 congregations and 4,641,184 Jews in U.S.A. The latest census figure for other religions was for 1947, but no figures for Jews appeared after 1936. On the basis of a U.S. Senate examination of N.Y. World Almanac figures for world Jewish population (15,713,838), Mr. Beaty thinks the total U.S. Jewish population in 1952 might be in the neighbourhood of 10,000,000, more than half the world total (p.38).

The heavy East European immigration into the U.S.A. was arousing concern half a century back. In 1908, Dr. Nicholas Murray Butler, head of Columbia University, wrote a book, *The American as He Is*, pointing out that America was dominantly Christian, and its "capacity to subdue and assimilate the alien

(1) Wilkinson Publishing Coy., 1727 Wood St., Dallas, Texas, U.S.A. \$3.

elements brought to it by immigration may soon be exhausted." "America's future dangers," he said, "will come, if at all, from within." A very heavy influx followed the first world war, and in 1921 Congress enacted the first of the numerous immigration quota laws to check it, an enormous illegal entry system developing however.

Mr. Beaty in his book quotes many Jewish and other authorities to the effect that these East European Jews are not of Palestinian origin but are the descendants of the Khazars, a warring people, apparently of Mongol and Turkish origin, who established a khanate, or kingdom, about A.D. 600, in what is now South Russia, and whose ruler Bulan and his people a century or two later adopted the Jewish religion. Their relations with the Slavs were unhappy throughout, and in A.D. 1016 the Slavs destroyed the Khazar kingdom. Large numbers of its people then became dispersed into Poland, Lithuania, and other parts of Russia and Eastern Europe, and are today said to be the main constituent in the Jewish populations of those countries, in all of which they have proved a non-assimilable element.

According to matter quoted by Mr. Beaty, it was at a national conference of these East European Jews at Kattowitz in 1884 that the Zionist movement originated in a decision to colonise Palestine. In 1897 was founded the Bund, the union of Jewish workers in Poland and Lithuania. The Bund engaged in revolutionary activity on a large scale, and from it presently sprang the Russian Communist Party. The East European Jews carried with them across the Atlantic both their Zionism and their Communism.

(3) A PRIVATE PATH TO POWER

In American politics most of the East European immigrants, according to Mr. Beaty, threw in their lot with the Democratic Party, which was not a homo-

geneous party like the Republicans, but a collection of discordant groups—the rural Protestant Southerners, the urban Catholic Northerners, and a miscellaneous lot of "liberals" and leftists who, with the aid of the newcomers, gradually rose into dominance. The new power in politics made itself felt when President Wilson in 1916 appointed Mr. Louis D. Brandeis to the U.S. Supreme Court bench, the first Jew to sit there as a guardian and interpreter of the U.S. Constitution. Mr. Brandeis was a liberal with socialistic leanings, and was also a Zionist. Mr. Beaty points out that in the past half-century the U.S.A. has had five Republican Presidents and no wars, and three Democratic Presidents—Wilson, Roosevelt and Truman—and three wars. It is by no means clear, however, that the influences he discusses are confined to the Democratic Party.

According to two remarkable articles in London World Jewry in 1935 (Feb. 22 and March 1), a Zionist intermediary in mid-1916 suggested to the British and French Governments that the path to victory in the war then raging was to promise Palestine to the Jews on condition that they brought the United States into the war. A bargain was made and the U.S. Zionists thereupon successfully exerted their influence to this end, and the Balfour Declaration of November 2, 1917, confirmed the arrangement. The author of these articles was Mr. S. Landman, who was stated by World Jewry to have been private secretary to Mr. N. Sokolow (a Zionist leader) from 1911 to 1918, and also secretary to the World Zionist Organisation from 1917 to 1922. In 1935 Mr. Sokolow was president of the Zionist Organisation.

Not all Jews by any means supported Zionism in 1916-17. Mr. Landman related in his articles that the leaders of French Jewry in the Alliance Israelite refused all support, and eleven leading British Jews signed a letter to the London Times condemning the aims and

objects of Zionism. He added that a rapid campaign secured a Zionist majority in the Jewish Board of Deputies, the president and other objectors resigning office. In the United States there were likewise eminent Jews who condemned the Zionist movement root and branch. Mr. Henry Morgenthau, Sen., former U.S. Ambassador to Turkey, and father of the late U.S. Secretary of the Treasury, wrote as follows in his memoirs *All in a Lifetime*, published in 1922: "Zionism is the most stupendous fallacy in Jewish history. . . it is an Eastern European proposal, fathered in this country by American Jews which, if it were to succeed, would cost the Jews of America most that they have gained of liberty, equality and fraternity. . . "

It is not only in the matter of Zionism that this East European influence has been exerted, but over the whole field of U.S. foreign policy. Political power has been gained, not by election to Congress, but by appointment to executive office in Government. Says Mr. Beaty on this point (p. 59):—"The number of persons of Eastern European origin or connection in appointive positions of strategic significance in our national government is strikingly high in proportion to the total number of such persons in America. On the contrary, in elective positions, the proportion of such persons is strikingly below their numerical proportion to the total population. The question arises: Does the high ratio of appointed persons of Eastern European origin or contacts in United States strategic positions reflect the will of the U.S. people? If not, what controlling will does it reflect?"

The foregoing citations from various sources are sufficient to show that Bretton Woods is part of a larger picture. What Mr. Beaty has gathered together in his book crosses the t's and dots the i's of what the U.S. Senate Internal Security Subcommittee wrote in its *Interlocking Subversion* report. He reaches the conclusion that in the U.S.A. today there is a nation with-

in a nation—an active and powerful minority of non-American origin, using the U.S. governmental machinery in pursuit of its own ends.

In these pages the present author has endeavoured to state as clearly as he can the actual facts about the Bretton Woods Agreement and the money-controlling machinery established by it. The subject is a large one, and in a small pamphlet it is only possible to deal with its more important aspects. It is for the reader to form his own conclusions on what has been advanced in a matter which is of the very highest importance to New Zealand and everybody in it.

New Zealand Export Price Index

Base 1927=1000

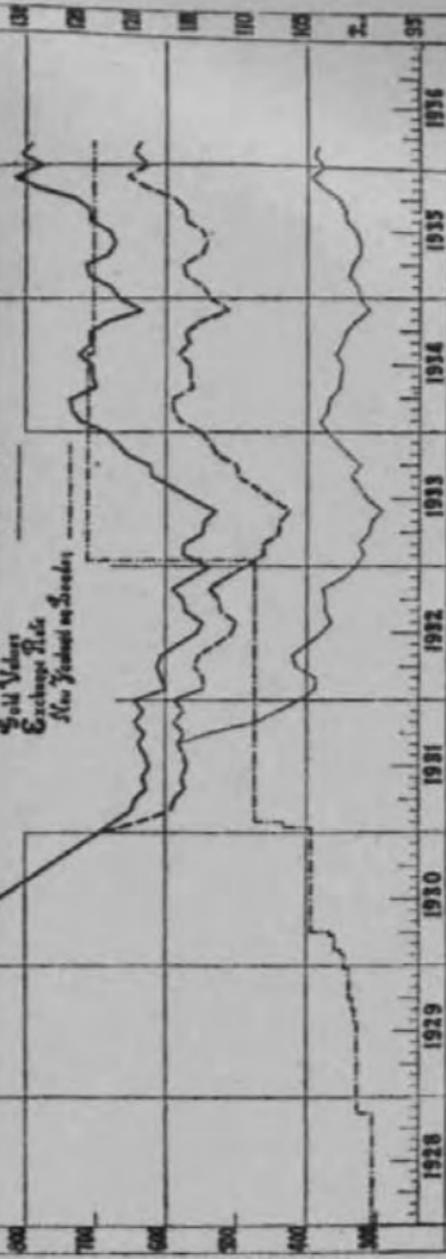
New Zealand Currencies

Sterling Values

Gold Values

Exchange Rate

New Zealand as Seebies



The top line in this B.N.S.W. chart shows what happened to New Zealand export prices in the 1930s. The bottom (gold) line is what would have happened under Bretton Woods rule in 1933.

Depression came out of a blue sky after six years of steady prices—the lowest year being 1927 (marked 1000 in left margin) and the highest 1928 (shown in chart).

Britain's Macmillan Money Report of June, 1931, said: "Conditions have been favourable to a growth of material welfare throughout the world." (par. 131).

U.S. money contraction policy resulted in a colossal New York Stock Exchange crash in October, 1929, and the immediate collapse of world commodity prices.