work from the laboratory of real life, and in this way a truly experimental sociology is coming into being. An original method is used for the analysis of the sociological data by means of monographic diagrams which never separate the human and economic factors. They indicate the qualitative element with clearly defined symbols. Far from lessening the scientific value of this method, this procedure enables the analyst to make an exhaustive enquiry and to compare individuals, groups and communities separated in space and time. Diagrams have now been elaborated of most complex factors which affect human life: family, business, village, post, parish, equipment (sporting, sanitary, cultural, etc., etc. . .). The enquiry is made on a large scale, as for instance in the case of Marseilles, where 25,000 houses were examined in detail.

The preparation of these diagrams is made at a central laboratory. The interpretation of the data is also made in conjunction with the more theoretic findings of the central team. Through this mutual collaboration the working hypothesis is deepened, enriched, and imposes itself, till it becomes a doctrine.

(To be continued). H. C. DESROCHES, O.P.

MENACE OF THE MONEY POWER

MONEY can only be understood in terms of power. In the hands of the consumer it is power over goods. In the hands of the creative capitalist it is power over the means to produce goods. In the hands of the finance-capitalist, or money-lender, it is not only power over producers and consumers, but power as well over nations and their governments. The technique of money-lending on its simplest level is to make an advance against security, draw interest, and at an agreed date receive back the capital sum—other things being equal, a perfectly honest transaction. If the more ambitious money-lenders kept to this even routine, however, they would be a very long time attaining power. What they desire, therefore, is that the money they lend shall either be repaid to them when its buying power has been greatly enhanced, or that it shall not be repaid at all, thus enabling them to foreclose on their mortgage and become possessed of their victim's capital assets. These two *motifs* have long determined the course of economic history, explaining slump and boom, and enabling a small band of international lenders and manipulators to become the virtual masters of the world. The method was explained, with almost incredible candour, in an article which appeared in *The U.S.A. Bankers' Magazine* on August 26th, 1934:—

' Bonds and mortgages must be foreclosed as rapidly as possible. When through a process of the law the common people lose their homes they will become more docile and more easily governed through the strong arm of government applied by a central power of wealth under the control of leading financiers. This truth is well known among our principle men now engaged in forming an imperialism of capital to govern the world. By dividing voters by the political party system we can get them to expend their energies in fighting over questions of no importance. Thus, by discreet action, we can secure for ourselves what has been so well planned. '

Before investigating how this amiable programme has been, and is being, fulfilled, one popular fallacy should at once be exploded—the fallacy that this ' imperialism of capital ' has been set up in the teeth of Left-Wing opposition. The contrary is true. Revolution throughout has been the friend and ally of finance-capitalism. Whether or not the French Revolution increased the sum of human liberty, equality and fraternity, offers a subject for debate, but there can scarcely be any debate about its one concrete fact, which was the sweeping away of the Monarchical State and the founding in place thereof of the Bankers' State. The Revolution of 1848 brought precious little happiness to ordinary human beings, but out of it arose the central banking system of Germany, which reached its apotheosis under the Weimar Republic, when financiers achieved more absolute power than they had ever before enjoyed. The Russian Revolution, which furnishes a complete picture of the interrelation between international capitalism and socialism, will be considered later. Some account must first be given of the way finance works.

If a group of men in any country wishes to secure financial control over the country's destinies, the most obvious initial step is to gain control of the issue of currency. This involves two cardinal principles: a single, controllable currency basis, such as gold, and a monopoly of the right to circulate notes and otherwise issue credit on that foundation. The banking history of the United States shows how the manipulators went to work to attain these objectives. Their weapon in every case was a deliberately engineered Stock Exchange panic, bringing ruin upon thousands of honest producers. In 1890 there was in America a monetary stringency, to counteract which the Government three years later introduced the Sherman Silver Purchase Act, providing the means by Government purchases of silver, of preventing currency contraction. The financiers moved swiftly into battle. This threat to gold, their chosen medium, could not be tolerated. The American Banking Association circulated to members instructions to sabotage the Government's plan:—

'Silver, silver certificates and treasury notes must be retired,' ran its fiat, 'and national bank notes upon a gold basis made the only money. This will require the authorisation of five hundred millions to one thousand millions of new bonds as the basis of circulation. You will at once retire one-third of your circulation and call in one half of your loans. Be careful to make a monetary stringency among your patrons, especially among influential business men. Advocate an extra session of Congress to repeal the purchasing clause of the Sherman Law.'

Even at that time finance enjoyed a measure of international power, for India was brought in to help the campaign, which she did by stopping the minting of silver. This, in conjunction with the panic deliberately induced by the New York bankers, caused the closing-down of silver mines, the shutting of factories, the crashing of banks, widespread ruin—and, of course, the repeal of the offending Act. Gold henceforward was to be the sole basis of currency, as the bankers had planned.

While crashes of this diabolical kind had often, as here, a political motive, it is to be noted that those at the heart of the conspiracy invariably managed to turn the chaos to their own immense financial advantage. One direct result of the 1892 panic was the transference of the Union Pacific Railroad into the hands of Jacob Schiff, head of the banking firm of Ruhn, Loeb & Company—today the monarchs of international finance. A few years later, moreover, Schiff managed to bring the mighty Great Northern Pacific Railway crashing to the ground, and from the ensuing panic his firm emerged as the complete masters of American railway finance: through Northern Securities Company it controlled £264,200,000 worth of stock and became an acknowledged member of the Money Trust which dominated the entire field of American Capitalism.

Jacob Schiff was now to be joined in Kuhn, Loeb & Company by Paul Warburg, scion of one of the great German banking families, and together they moved forward to the attainment of the second objective—a control of all currency through a central banking system. In 1907 there was another great crisis when the Knickerbocker Trust failed, not because of any general panic action by the ordinary investor, but because manipulators of the millionaire class wilfully created a run on the banks. From this debacle they emerged incomparably more powerful, having bought up the stock of the ruined victims, which they held to re-sell at par. At the same time the Steel Trust was able to complete its absolute monopoly. It may or may not have been a coincidence that Solomon Loeb, of Kuhn, Loeb & Company was a member of Knickerbocker Trust. At any rate the attainment of a central banking system was brought very much nearer to fulfilment—that consummation so devoutly wished by Kuhn, Loeb & Company. Appalled at the ducks and drakes which were being played with the money-system, many genuine idealists in the United States—chief among them Woodrow Wilson and William Jennings Bryan, the doughty foe of the Money-Power—determined upon large-scale reforms to create order in place of the prevailing brigandage. And it so happened that there was a gentleman at hand only too happy to help them. His name was Mr. Paul Warburg! What did they want? To secure stability in the price level? Why, Mr. Warburg had the precise specific up his sleeve—a Federal Reserve System which would hold reserves centrally and despatch supplies of credit at once to any necessitous bank in the system that might call for them. His plan, in most essentials, was the one adopted, and on December 20th, 1913, Mr. Carter Glass, sincerely denouncing the old laissez-faire order, secured the passage through the House of Representatives of the Federal Reserve Act, the vital clause of which, when the Bill was introduced, was a provision for the fixing of the discount rate to promote stability in the price level: how ironical was it, therefore, that when the Bill emerged these words ' to promote stability in the price level ' were surreptitiously dropped! At subsequent investigations officials of the Federal Reserve Board even denied that such had ever been its function. Two years later, Sir Cecil Spring-Rice, our Ambassador to the United States, placed on record the fact that the group of financiers associated with Kuhn, Loeb & Company had become supreme in America, and that Paul Warburg *was* the Federal Reserve Board! William Jennings Bryan lived long enough to stand aghast at the horrified thought of what his name, in all innocence, had helped to bring into being, but no such shame cast a shadow on the happiness of Warburg and his friends, who now had exclusive power of note issue to the reserve banks, as well as power to fix the discount rate, which meant, of course, power to determine the amount of money in existence. They had conquered America: they were now ready to conquer the world.

It has been suggested that revolution is a good friend to the finance-capitalists, but they have an even better friend—war. War makes them the dictators of mankind. How lucky for them that, the year following the setting up of the Federal Reserve Board, a war should duly have arrived to complete their happiness! War has several advantages. It places the nations engaged therein in urgent need of credits, which the financiers can bestow on their own terms. It unsettles things, making it easier to change the masters of a people. And in this particular way it seemed likely that many kings would lose their thrones—a pleasurable thought for those who opposed to the Monarchial State the larger beatitude of the Bankers' State. In particular, and for motives which need not be investigated in this strictly non-racial treatise, the Kuhn, Loeb bankers had their eye on one monarch whose head, above all others, they wished to see rolled in the sand—the head of the Czar of all the Russians. That is one reason why, in 1914, they were so ardently pro-German and so hostile to Britain. The Bolshevik Revolution of 1917 changed all that. Simple people imagine that the Russian Revolution was a protest against just such a system of wicked financial manipulation as I have described. What would be their surprise if they knew that the Bolsheviks were directly subsidized by—can they guess?—Mssrs. Schiff, Paul Warburg, Max Warburg and the entire Kuhn, Loeb & Company outfit! The first war objective, therefore, was gained when Imperial Russia fell. There was no longer the same reason for hating Britain, especially as Britain had done that which arouses love in the hearts of all true money-lenders—got hopelessly and inextricably into their debt. The late Lord Reading negotiated with the United States a loan of £1,000,000,000, which that optimistic gentleman promised that we should repay on demand—and in *gold*! Thereafter there was no need for the Schiffs and the Warburgs to worry about Britain: we were safely in the bag. And if the war ended with the defeat of Germany and Austria—well, that would be at least two more crowned heads out of the way of a bankers' world state. America duly entered the war on our side!

First fruits of the great victory for the Wall-Street financiers was the extension of their power to Britain and the Dominions, forcing us to surrender our command of the seas, to break our alliance with Japan, and, in a very short time, to return to the gold-standard, after which their associated concerns, such as General Electric, began to acquire our capital assets. They penetrated into every part of Europe and Africa. In China they became supreme in the international financial consortium which was formed to exploit that country. They were active in India. They conquered all South America except the Argentine. And in the United States itself they went from strength to strength by using the mechanism of the Federal Reserve Board for purposes diametrically the opposite from that for which it had supposedly been formed: that is, instead of forwarding supplies of credit when necessary to avoid a panic, they used the opportunity again and again to cut off credit supplies altogether. By such means, in the early twenties, they encouraged the farmers under boom conditions to borrow and expand their enterprises, and then promptly called in the loans, delivering thousands into bankruptcy. Precisely the same technique caused the panic of 1929, which led to the great crash of 1931. Orthodox economists attribute this later disaster to the failure of the Creditanstalt in Vienna, arguing that it set in motion the whole succession of breakdowns which followed throughout the world. That, however, is a very incomplete picture of the actual situation. Mr. Lous T. McFadden, Chairman of the U.S. House of Representatives Banking and Currency Committee, referring to the New York Stock Exchange collapse which began the American end of the slump, declared: "It was not accidental. It was a carefully contrived occurrence . . . the international bankers sought to bring about a condition of despair here so that they might emerge as the rulers of us all." Nothing could be less equivocal than that. What cannot be denied is that in 1928 the Federal Reserve Board was feverishly expanding credit to create a boom, and next year as feverishly restricting credit to create a slump. Major C. H. Douglas, in his book, "The Brief for the Prosecution", asserts that the motive of the financiers was to crush the many industrialists who, because of prosperous times, had begun to "muscle-in" on the moneylending racket. This is not to argue, of course, that the crisis in the German banking system did not deepen and broaden the slump: the defaulting on reparations in 1931 led directly to the London crash. But even here a decisive part had been played by the Wall-Street manipulators. Throughout the evil Weimar régime in Germany, the American group, in collaboration with their associates in Germany, had been conducting a colossal fraud at the expense of the American people. Worthless German script and much of very little worth were freely accepted, largely through the instrumentality of Paul Warburg, as security for towering cash advances—computed by Mr. McFadden as over 30,000,000,000 dollars beyond the value of all the German bonds—and these advances were poured into Germany (some, through Germany into "anti-capitalist" Russia), to make for international usury the most joyous gala period of its long and unsavoury history. The game could not last: what is more, its perpetrators knew that it could not last, and had persuaded President Hoover, in 1931, to stand by with a moratorium to tide their friends in Germany over the worst of their difficulties. Mr. McFadden, speaking of the moratorium, said: "If the German international financiers of Wall Street had not had this job waiting to be done, Herbert Hoover would never have been elected President of the United States." Describing the agency by which the business had been engineered, he told Congress: "We have in this country one of the most corrupt institutions the world has ever known. I refer to the Federal Reserve Board and Federal Reserve Banks. This evil institution has impoverished and ruined the people of the United States . . . They have been peddling the credit of this Government and the signature of this Government to the swindlers and speculators of all nations. This is what happens when a country forsakes its constitution and gives its sovereignty over public currency to private interests. Give them the flag and they will sell it."

This time, however, the Federal Reserve Board group had overreached itself. Although the result of the world-wide crashes had been to strengthen the power of the big combines everywhere, and greatly to increase bank holdings of industrial stock, the slump nevertheless went too far; much further than it was intended to go. Two signal events proclaimed this fact. First, Great Britain, in a desperate attempt to extricate herself, was forced off gold and obliged to insulate her economy within a sterling area and a system of Imperial Preference. Repeated attempts have been made by the dollar-manipulators to crash the sterling area: only now are they about to succeed. To this mild but not incompetent British insurrection was added a much more terrifying phenomenon. Out of a Germany devastated by the Money-Power arose—Adolf Hitler.

(*To be concluded*). A. K. CHESTERTON.

THE SYSTEM

MAY I animadvert upon the editorial, 'No Escape', in BLACKFRIARS, March, 1946, in so far as it blames Catholic financiers and employers for attributing social injustice to the capitalist system rather than to their own selfishness and immorality? I think I am fairly entitled to be heard on this subject, because I thought exactly the same as the Editor while I was a looker-on and an arm-chair critic. As soon as I was practically involved in industry, however, I found that the individual is almost completely helpless and that it *is* the system that is to blame, a fact for which Leo XIII., in *Rerum Novarum*, did not allow, but for which Pius XI., in *Quadragesimo Anno*, significantly did allow.

Yes, I thought exactly the same as Leo XIII and the Editor, and when I unexpectedly found myself the owner of a factory, I set to work to find out what I ought to do in order to treat the workmen with justice. I got the matter clear to my satisfaction and embodied my findings in a book with the suggestive title of *Wage Slavery*. Doubtless that book is full of faults, but at least it is standing evidence that I approached the subject explicitly as one of personal morality, of *my* duties to *my* employees. Moreover, it did not end in