The Genesis of
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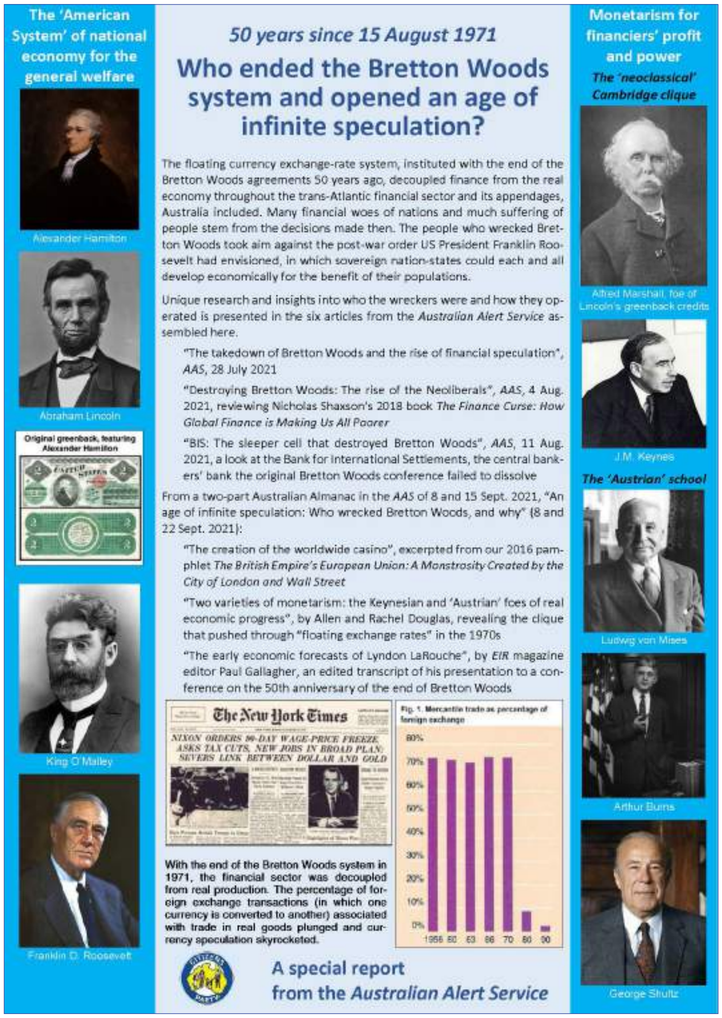

The 'American System' of national economy for the general welfare

Alexander Hamilton

Abraham Lincoln

Original greenback, featuring Alexander Hamilton

King O'Malley

Franklin D. Roosevelt

50 years since 15 August 1971

Who ended the Bretton Woods system and opened an age of infinite speculation?

The floating currency exchange-rate system, instituted with the end of the Bretton Woods agreements 50 years ago, decoupled finance from the real economy throughout the trans-Atlantic financial sector and its appendages, Australia included. Many financial woes of nations and much suffering of people stem from the decisions made then. The people who wrecked Bretton Woods took aim against the post-war order US President Franklin Roosevelt had envisioned, in which sovereign nation-states could each and all develop economically for the benefit of their populations.

Unique research and insights into who the wreckers were and how they operated is presented in the six articles from the *Australian Alert Service* assembled here.

"The takedown of Bretton Woods and the rise of financial speculation", *AAS*, 28 July 2021

"Destroying Bretton Woods: The rise of the Neoliberals", *AAS*, 4 Aug. 2021, reviewing Nicholas Shaxson's 2018 book *The Finance Curse: How Global Finance is Making Us All Poorer*

"BIS: The sleeper cell that destroyed Bretton Woods", *AAS*, 11 Aug. 2021, a look at the Bank for International Settlements, the central bankers' bank the original Bretton Woods conference failed to dissolve

From a two-part Australian Almanac in the *AAS* of 8 and 15 Sept. 2021, "An age of infinite speculation: Who wrecked Bretton Woods, and why" (8 and 22 Sept. 2021):

"The creation of the worldwide casino", excerpted from our 2016 pamphlet *The British Empire's European Union: A Monstrosity Created by the City of London and Wall Street*

"Two varieties of monetarism: the Keynesian and 'Austrian' foes of real economic progress", by Allen and Rachel Douglas, revealing the clique that pushed through "floating exchange rates" in the 1970s

"The early economic forecasts of Lyndon LaRouche", by *EIR* magazine editor Paul Gallagher, an edited transcript of his presentation to a conference on the 50th anniversary of the end of Bretton Woods

With the end of the Bretton Woods system in 1971, the financial sector was decoupled from real production. The percentage of foreign exchange transactions (in which one currency is converted to another) associated with trade in real goods plunged and currency speculation skyrocketed.

A special report from the *Australian Alert Service*

Monetarism for financiers' profit and power

The 'neoclassical' Cambridge clique

Alfred Marshall, foe of Lincoln's greenback credits

J.M. Keynes

The 'Austrian' school

Ludwig von Mises

Arthur Burns

George Shultz

How 'Operation China Threat' demonised the Belt and Road Initiative

A special report from the *Australian Alert Service*

The *Australian Alert Service* presents our four part series "How 'Operation China Threat' demonised the Belt and Road Initiative", first published in May-June 2022, which documents the methods and motivation of the disinformation campaign against China's BRI in Australia and around the world. It is combined in this pamphlet with other, related AAS articles.

From mid-2017 the Australian public was targeted in an intense propaganda campaign, led by national security and intelligence agencies acting in collusion with the mainstream media, which successfully demonised China and the BRI. The distortion of the public perception of the Belt and Road Initiative was one part of a wider strategy to maintain Anglo-American primacy in the Asia-Pacific region—through the continued projection of US-UK military power, and through the City of London and Wall Street-controlled global financial architecture.

Part 1: Why nations welcomed the BRI

Prior to the anti-China propaganda campaign, the benefits of the BRI were widely recognised in Australia. The BRI was considered a welcome vehicle to address numerous regional challenges, which included a massive infrastructure deficit and demographic changes which demanded urgent job creation to maintain regional stability.

Part 2: Five Eyes dictate Australia's foreign policy shift

From mid-2017, the Australian public was targeted by an intense propaganda campaign which successfully demonised China and the BRI. This operation, which was conducted by national security and intelligence agencies in collusion with hawkish politicians and the mainstream media, poisoned the Australia-China relationship and implemented a shadow foreign policy agenda in Australia, which served US-UK geopolitical interests ahead of our own.

Part 3: BRI threatens Anglo-American financial control

Under the BRI, China revived the tradition of the American System nation-builders like Alexander Hamilton and Abraham Lincoln, who advocated the use of public credit to finance large-scale infrastructure development. China's public investment approach is a threat to the post-WWII order that has enriched London and Wall Street banks and corporations, by enabling decades of looting and financial repression of developing nations.

Part 4: The final blow against Australian participation in the BRI

Neoconservative, anti-China, pro-war political organisations and figures in the USA, UK and Australia opportunistically exploited the chaotic circumstances experienced at the start of the COVID-19 crisis in early 2020 to ramp up their agenda to sabotage and derail the BRI; an agenda that they had been explicitly pursuing for at least three years.

Geopolitical elites fabricated BRI 'debt-trap'

Baseless allegations of China's "debt-trap diplomacy", a policy which China purportedly pursues through the BRI, were fabricated and promoted by "national security" apparatchiks, and proponents of British geopolitical theories that define international relations as a zero-sum game, in which the progress of one nation can only come at the expense of others.

Belt and Road opposition is a century-old 'Great Game'

The demonisation of inter-country infrastructure projects is not a new phenomenon. For over a century, BRI-predecessor projects proposed by countries as diverse as America, Japan, Russia and European nations, were targeted for derailment by the same Anglo-American power structures that are viciously fighting the BRI today.

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AUSTRALIAN ALMANAC Vol. 14 No. 3

The genesis of austerity (Part 1)

Austerity: bankers' policy to crush nation states

By Elisa Barwick

Governments and central banks are again prescribing austerity, this time as the panacea for surging inflation; in the post-2008 crash era it was supposed to be the pathway to getting out of the debt incurred by bailing out collapsed banks. This article is the first in an Almanac series dedicated to exposing the real nature of austerity: what it is, where it came from, and how it could not possibly achieve its advertised objectives. Rather, austerity is a means, used today in the economic practice called "neoliberalism", to an entirely different end—handing control of public policy to private interests. Neoliberalism is ***economic fascism****, packaged under the labels "austerity" and "economic rationalism", but actually designed to put the interests of an elite—those who hold money and political power—ahead of the populace, with or without Mussolini- or Chilean-style enforcement.*

What is austerity?

Readers may have encountered "austerity" as a call for emergency belt-tightening and budget-cutting measures, but austerity, as a doctrine, has animated "free-market capitalist" economic policy for over a century. It runs as a unifying thread through all varieties of British-inspired economic theory, from British Liberalism and the Austrian school of economics, to Italian fascism, and neoliberalism.[1] It can inhabit seemingly opposed economic doctrines and can be wielded just as effectively in a period of expansion as in one of deflation.

What, exactly, is austerity as an economic policy? Scottish-American economist Marc Blyth defines it in his book *Austerity: The History of a Dangerous Idea* (Oxford University Press, 2013): "Austerity is a form of voluntary deflation in which the economy adjusts through the reduction of wages, prices, and public spending to restore competitiveness, which is (supposedly) best achieved by cutting the State's budget, debts and deficits". Assistant Professor of Economics Clara Mattei of the New School for Social Research in New York provides further crucial dimensions of the concept in her book *The Capital Order: How Economists Invented Austerity and Paved the Way to Fascism* (University of Chicago Press, 2022). Mattei demonstrates that austerity, as an economic policy, includes a moral imperative, bludgeoning people into accepting austere conditions in the name of future economic advancement or to avoid some negative consequence. The arguments Europeans were pummelled with in the post-World War I era are identical to today's mantra that "we must reduce the debt, or risk burdening our children". Such arguments are deliberately false and manipulative; austerity has never improved economic conditions for the masses, but has served only to enhance the elite's financial and political control.

The main thesis of Mattei's book is that austerity was designed to enshrine one set of rules for the masses, but another for those who control financial capital, i.e., the wealthy. This was necessary, she argues, because a "crisis of capitalism" erupted after World War I, threatening international financiers' domination of the world's economies. European governments that tried unsuccessfully to leave the economic mobilisation for the war effort entirely to market forces—the approach dictated by British liberal economic theory—were forced to resort to state intervention, including credit-creation. Raising the level of the productive economy also raised the standard of living of the average worker. A shift in economic and implicitly *political* power commenced, as workers gained real bargaining power, something they would not give up easily after the war. Mattei expands the understanding of austerity policy as an attack by the financial elite on that new post-war reality, operating through three distinct but interacting forms: **fiscal austerity—**reduced government spending; **monetary austerity**, exemplified by raising interest rates; and **industrial austerity—**slashing wages and destroying working conditions.


The power of national credit was exemplified by Australia's government-owned Commonwealth Bank during World War I. Photo: RBA

Above all, this series will show that austerity is aimed at preventing government creation of credit to enhance the welfare of society as a whole. Clara Mattei employs Marxist categories of analysis, contrasting "capitalism" and "socialism". We draw on years of research into another tradition: national economy (19th-century German economist Friedrich List's term), also known as Hamiltonian economics or the "American System". The national economy system welcomes the role of private business engaged in *productive* enterprise; insists that government play a positive role in fostering physical economic development; and, above all, prioritises promotion of the general welfare of the population. It is opposed to all forms of *monetarism* (which puts *money* and the manipulation of money foremost in economic policy), including neoliberalism and its tools like austerity. In Australia, King O'Malley and the early Commonwealth Bank that he designed represented the school of national economy.[2]

Numerous governments, including Australia, had mobilised national credit during World War I for the war effort. A continuation of government credit-creation would ensure a trajectory of economic growth, reinforcing national sovereignty. Austerity programs, on the other hand, established rules that would keep nations within an economic straitjacket, binding them to the restrictive, anti-credit-creation gold standard and allowing them to spend only when the budget permitted or when private capital flowed.

1. "Two varieties of monetarism: the Keynesian and 'Austrian' foes of real economic progress", in Citizens Party pamphlet *Who ended the Bretton Woods system and opened an age of infinite speculation?*, 2021.

2. *Time for Glass-Steagall Banking Separation and a National Bank!*, ACP pamphlet, 2018, details these principles and their history in Australia.

To impose such control, reluctant nations had to be psychologically disarmed and their wartime methods of directed credit-creation walked back. This would require an ideological offensive. Austerity had previously been utilised in various forms and was, at times, weaponised by the British Empire,[3] but the post-World War I period saw it fashioned into a new economic orthodoxy. The theory justified removing economic policy from the control of elected politicians. It was ushered in by new global institutions such as the League of Nations (LoN), whose economic theory was directed from the British Treasury and further spread by the Austrian school of economics, explicitly against national government-created credit. This poison unleashed a new form of British economic liberalism, known today as neoliberalism. The world's biggest banks backed the transition, as their loans to desperate war-torn nations mandated austere conditions to ensure repayment of debts and reparations. In the 1930s the Bank for International Settlements (BIS), colluding with new Bank of England-established independent central banks of European nations, laid the groundwork of the system we know today, in which economic policy decisions of nations are outsourced to trans-national technocrats.

The British Treasury trialled austerity mechanisms at home, as a tool for exerting private control over public governments, immediately at the close of World War I, but Italy and Austria became the test tubes for full-blown economic austerity. These cases will be detailed in the next parts of this series. This followed a consensus on austerity policy reached at international monetary conferences in the early 1920s. The new policies were adopted across Europe, but full traction was achieved only in Mussolini's Italy, under the enforcement of fascism. Fascism turned government policy decisions over to private interests, but it was not essentially different to what the British Treasury experiment had done. (After all, London had sponsored the fascist Mussolini and his rise to power.[4]) The British scheme was conducted under a "liberal" system supposedly based on the freedom of the individual, but in reality it was controlled by private financiers and their so-called independent economic experts.

The financiers' policies of deflation and austerity were implemented in Europe throughout the 1930s, even after the 1929-31 stock market and banking crashes ushered in the very deflationary Great Depression. The tensions these policies caused, including the rise of Hitler, led directly to World War II. The measures also set the foundations for the permanent new "rules-based international order" (originally known as the "liberal international order") to which we find ourselves subservient today.

Having been challenged by rising European labour movements after World War I, the imperial order was further threatened during World War II by US President Franklin Roosevelt, who demanded decolonisation and worldwide industrialisation as part of post-war agreements.[5] With its colonies rebelling and its very existence at stake, the British Empire hastened to relocate its power to an "informal financial empire", exerting control from behind the scenes.[6] As City of London/Wall Street interests moved in the 1950s-60s to erode the post-war Bretton Woods financial system Roosevelt had initiated, the economic policy decisions of nations were increasingly outsourced to trans-national technocrats in institutions such as the International Monetary Fund, the World Bank, and the BIS. The brains trust of this neoliberal shift was centred in the Bank of England/British Crown-founded Mont Pelerin Society (MPS), established in 1947, which quickly set up a global network of think tanks, including in Australia.

Austerity vs. credit systems: a brief history

The model for a successful credit system was the First Bank of the United States, established in 1791 by Alexander Hamilton, the first Treasury Secretary of the newly independent American republic. Hamilton built upon the work of American nationalists who had been fashioning a republic that would use credit to finance economic improvements—among them Increase and Cotton Mather, Benjamin Franklin, and Mathew Carey.[7] For Britain to retain its dominance over global finance and trade,[8] it had to prevent nations from obtaining financial independence and the ability to develop internally, which would have enabled the emergence of a multitude of strong sovereign republics across the globe.

The success of the American Revolution, as consolidated through national banking, foreshadowed the failure of this ambition. Britain was forced, at least in part, to shift from colonial rule by military force alone, to utilising more subtle forms of domination through the imposition of the "free trade" policy. Lord Shelburne, leader of the genocidal British East India Company (BEIC), had originally tested out this anti-"American System" economic model in the late 18th century.[9] Through such BEIC employees as his protégé Adam Smith, Jeremy Bentham, David Ricardo, John Stuart Mill and the infamous genocidalist Parson Thomas Malthus, founder of Malthusianism,[10] this doctrine eventually emerged as "economic liberalism". The free trade and austerity of Shelburne's pilot program devastated America's ally France already in the late 1780s, precipitating the bloody French Revolution.

In the latter part of the 19th century, it appeared that the liberal form of economic control was also set to fail. The USA under President Abraham Lincoln again adopted Hamilton's approach during the Civil War (1861-65), issuing sovereign national credit in the form of "greenbacks" (currency notes).

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3. For example, "austerity and credit withdrawal" crushed France ahead of the French Revolution. "Freedom, and lessons from the French Revolution", *Australian Alert Service (AAS)*, 31 Aug. 2022. American historian Jamie Martin, in *The Meddlers: Sovereignty, Empire, and the Birth of Global Economic Governance* (Harvard U. Press, 2022), chronicles the case of European-imposed "debt commissions" from the 1860s in Africa, the Middle East, and the Balkans, which dictated spending decisions to prioritise loan repayment above all else.
4. "Britain's Role in Creating Fascism, Yesterday and Today", by Claudio Celani, *EIR*, 23 Dec. 2022. Republished, *AAS*, 25 Jan. 2023.
5. "Franklin Roosevelt's economic development policies vs the Anglo-American financial empire", *AAS*, 25 May 2022.
6. "How London's Euromarket killed Bretton Woods", *AAS*, 19 Sept. 2018.
7. Anton Chaitkin, *Who We Are: America's Fight for Universal Progress, from Franklin to Kennedy, Vol. 1, 1750s-1850s* (2020).
8. "London's Invisible Empire", *AAS*, 13 Oct. 2021.
9. Formed in London in 1599, the British East India Company already had experience looting India ("loot" is the Hindustani word for plunder), conquering some regions militarily to exact its spoils, such as Bengal, where the company increased its tax receipts even during the 1771 famine. The BEIC boasted a bigger army than the British government's and provided a model for private corporations to wield power over nations' governments, or to merge with them. When Shelburne's political faction came to power in the UK, the BEIC's intelligence operations were incorporated into the Foreign Ministry, forming the country's first version of an intelligence service. See "The East India Company—the political economy of looting" (review of William Dalrymple's *The Anarchy*), *AAS*, 11 Mar. 2020.
10. British East India Company employee Malthus wrote his infamous 1798 *Essay on Population* to justify eliminating the Poor Laws, which provided bare minimum relief for the hordes of poor in depression-wracked 1790s Britain. Malthus asserted that population grows geometrically, but food supplies increase only arithmetically. He thus advocated policies to encourage famine and disease, to keep the population low. Malthus trained BEIC leaders who employed his recommendations in Ireland, India and Africa.

Lincoln's greenback program both financed his government's war effort against the British-supported Confederacy, and funded national economic development, including the Transcontinental Railroad, which helped finally unify the continent-wide United States.

Despite the assassination of Lincoln in 1865, the USA emerged as the world's leading industrial power. In celebration of the American System of protective tariffs, national banking, infrastructure investment, and the promotion of science and technology, the circles of Mathew Carey's son and Lincoln's ally Henry Charles Carey convened a Centennial fair in Philadelphia in 1876, attended by scientists and statesmen from around the world. American System ideas took root in Germany (newly unified as a nation in 1871), thanks to the influence of German-American economist Friedrich List, who had planned a rail network to link continental Europe with China. Advised by Wilhelm Kardorff, another Careyite, Chancellor Otto von Bismarck implemented American System policies. Industrial development surged in Russia, too, where Finance Minister Count Sergei Witte launched construction of the Trans-Siberian Railroad and, together with the scientist Dmitri Mendeleyev, wrote in favour of "national economy" and against British free trade. In France, Foreign Minister Gabriel Hanotaux not only pushed for collaborative economic development in Europe, but mapped out a vision to transform Africa with rail development. Japan, under the Meiji Restoration, adopted the American System; Carey protégé E. Peshine Smith served as an economic advisor to the Emperor.[11]

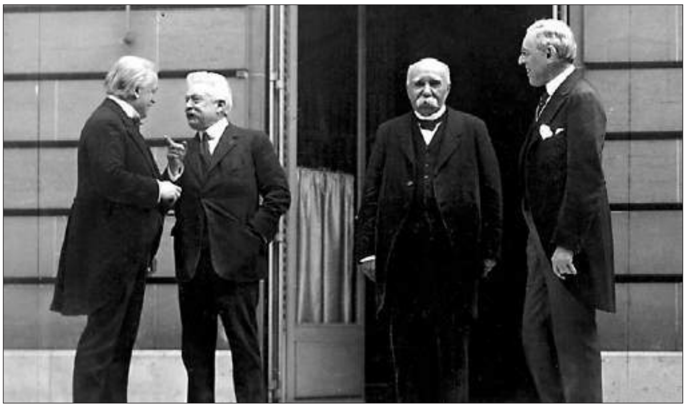
The British orchestration of WWI and the Versailles Treaty

Great Britain, seeing in these developments a threat to its imperial dominance, responded over the course of the next 40 years by spreading perpetual warfare across Eurasia, through an array of manipulations, playing one nationality off against another, assassinating political leaders, fostering the growth of deeply flawed pseudo-political movements and ideologies, conducting each-against-all diplomatic manoeuverings, and fomenting "regime change". British diplomats and intelligence agents forged alliances with the most backward, belligerent factions within the targeted nations, often through Freemasonic lodges and other secret societies, creating phony "liberation" movements. Kaiser Wilhelm II of Germany was manipulated by his uncle, the future British King Edward VII, to dismiss Bismarck in 1890. Count Witte, serving as head of government for another of Edward VII's manipulated nephews, Tsar Nicholas II, was ousted in the wake of the 1905 Revolution.

Instead of Witte's envisioned "continental league" of France, Germany, and Russia, oriented towards Eurasian development, London fostered or exploited the Franco-Prussian, Balkan, Sino-Japanese, and Russo-Japanese wars; engineered the isolation of Germany; and by 1907 had formed the Triple Entente of Britain-France-Russia. The Balkan Wars of 1912-13 were a prelude to the event that finally triggered World War I—the assassination of the Austro-Hungarian royal heir Archduke Franz Ferdinand on 28 June 1914.

Foreshadowing the war's aftermath in a 1915 Christmas morning speech, the UK's then-Minister of Munitions and later Prime Minister David Lloyd George apocalyptically pronounced that the old order was being left behind. The war, he said, "is the deluge, it is a convulsion of Nature … bringing unheard-of changes in the social and industrial fabric."

World War I devastated the continental nations that had



The heads of the "Big Four" nations confer at the Paris Peace Conference (l-r, David Lloyd George, Vittorio Orlando, Georges Clemenceau, and Woodrow Wilson). Photo: Wikipedia

sought collaboration for economic advancement, leaving them vulnerable to the economic "solutions" of British economic colonialists. The war's indelible impact was to enshrine the economic doctrine of austerity within a centrally controlled global order, to prevent national credit systems from ever rising again. The key to the new order was to induce nations to accept private control of banking, via local agencies directed by global institutions. Thus, the British orchestration of the war set the stage for an intended creation of a European super-state that would effectively make nation states a thing of the past.

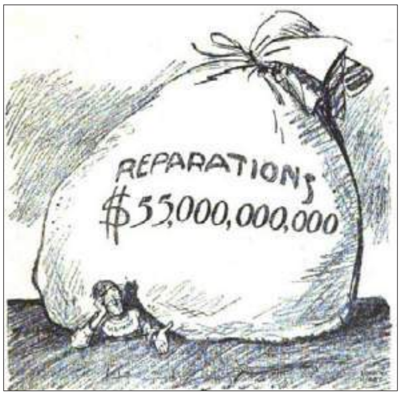
To begin with, the negotiations to end the Great War were studded with virtual timebombs, ensuring the peace would not last and the vanquished nations would become dependent on an externally determined political and economic framework, centred in the City of London and its allies and junior partners on Wall Street. Following Wilhelm II's abdication and the signing of the Armistice in November 1918, the Paris Peace Conference opened on 18 January 1919. The terms of peace were signed on 28 June in the Treaty of Versailles, the first of a series of treaties. Although it involved 32 nations, the conference was essentially run by the four great powers of the time: France, Britain, Italy and the United States. The Treaty included the famous "War Guilt" clause, which required Germany to pay reparations to Entente countries, to make up for allegedly causing the war and for economic losses to the nations involved. Millions of people in Germany and Italy opposed the signing of the Treaty. The exceedingly harsh terms of the agreement, particularly against Germany, made the Treaty unworkable. Though twice renegotiated, in the Dawes and Young Plans (named after City of London/Wall Street figures who wrote them), the reparations were indefinitely postponed by the 1932 Lausanne Conference.

Georgetown University (USA) Prof. Carroll Quigley, an admitted sympathiser of those who orchestrated the Versailles Treaty, wrote in *Tragedy and Hope: A History of the World in Our Time* (Macmillan, 1966), that the Paris conference was "assisted by groups of experts", many of whom "were members or associates of the international-banking fraternity". Although it was formally a peace conference, he explained, economic policy took centre stage. The Versailles treaty established international agencies as economic authorities that could dictate policy to national governments. These agencies required local enforcement arms, which would soon include, *de facto*, the fascist movements of the 1920s and 1930s, setting the stage for World War II.

The League's Supreme Economic Council

The Anglo-American elites dominating the Paris Peace Conference formed a Supreme Economic Council to dictate

11. Gabrielle Peut, "The American System and the Scientific Revolution of the Late 19th and Early 20th Centuries", *New Citizen*, Oct./Nov. 2011.



The Paris peace treaties imposed crushing conditions that fuelled the rise of fascist movements and set the stage both for World War II and for a new "rules-based order". Photos: Wikipedia

post-war economic policy. But, as even the monetarist British economist John Maynard Keynes pointed out, "The Treaty [of Versailles] includes no provisions for the economic rehabilitation of Europe"; he warned of disastrous consequences from that omission.

Part I of the Versailles Treaty formally incorporated the League of Nations, the world's first intergovernmental organisation. The LoN emerged as the seed crystal of a new "world government", in the words of its principal British and Wall Street designers. Its governing Covenant was drafted by the Supreme Economic Council, which was headed by Lord Robert Cecil, leader of the powerful "Cecil bloc" of British oligarchical families and a chief architect of the League itself. The LoN was designed to extend the Allies' wartime coordinating body, the Supreme War Council, into essentially a world government, establishing a global "rules-based order", arbitrating disputes and imposing sanctions on offending nations.

An economic conference to build consensus for League-centred mechanisms of supranational financial control was held in September-October 1920 in Brussels. Key organisers of the event were British civil servants J.A. (Arthur) Salter and Lord Robert Brand, who was also the managing director of the City of London's Lazard Brothers bank. As Quigley documented, both were leading figures in the imperial Anglo-American, Cecil bloc-centred Round Table group. The Brussels conference (examined in future instalments) resulted in the formation of the League's Economic and Financial Organisation, headed by Salter. It extended the monopolistic controls of the wartime economy into peacetime, moving them into private hands to economically box in the losing Central Powers. Wartime boards that had cartelised food and resource production and coordinated control of shipping and trade, for instance, had been set up by Salter and Lazard ally (Brand's protégé) Jean Monnet, later renowned as the "father of the European Union". Round Table leader Lord Cecil appointed Monnet as deputy secretary general of the new League.[12] The LoN lasted only 26 years, but its personnel bred and populated subsequent globalist institutions.

Salter appointed those who had run the wartime cartels as his section chiefs, moving all his London staff over when the League set up in Geneva, Switzerland. Through those cartels, which were "endowed with quasi-dictatorial powers", he erected a "powerful intelligence network", exulted Monnet in his *Memoirs*. This positioned Salter's new unit for its task: designing austerity programs for war-torn nations including Austria, Hungary and Poland. This work was closely coordinated with the Bank of England at the personal direction of its Governor Montagu Norman, who led the drive to create central banks throughout Europe and beyond as instruments of Anglo-American financial rule. In 1927 Norman recruited to the BoE Sir Otto Niemeyer, an employee of His Majesty's Treasury since 1906. Niemeyer represented the BoE on the League of Nations economics and finance section until 1937, and played a key role in designing the austerity policy for the League's "test tube" state, Austria. (In 1930 Niemeyer made an infamous visit to Australia, where he dictated his "Premiers' Plan", which demanded that Australians accept "a lower standard of living" and that the country function chiefly as a supplier to the UK.)

The Reparations Commission, headed by Salter, was the other conduit for imposing austerity policy. But defeated Germany still proved recalcitrant, refusing to lower its population's standard of living or slash the budget to pay reparations. By July 1922, with the value of its currency plummeting as it tried to print its way out of trouble, Germany demanded a moratorium on reparations. Refusing to budge, the Commission authorised armed occupation of the industrial Ruhr region to enforce collection of the nation's productive income. This intolerable arrangement ultimately led to the reorganisation of reparations under the Dawes Plan, which with Salter's help was modelled on the League's Austrian experiment.

The Dawes Plan itself was "largely a J.P. Morgan production"[13], wrote Quigley in *Tragedy and Hope*. JP Morgan partner Thomas Lamont had helped determine the reparations demands at Versailles. US banker Charles G. Dawes, former comptroller of the currency and Morgan collaborator, headed the international committee of financial experts convened to rearrange payment schedules. These schedules were so brutal that "Germany paid reparations for five years under the Dawes Plan (1924-29) and owed more at the end than it had owed at the beginning", noted Quigley. Meanwhile, he observed, "international bankers sat in heaven, under a rain of fees and commissions."

In 1930 the terms of the repayments were again rearranged in the Young Plan, named for the US industrialist Owen D. Young, a "J.P. Morgan agent", in the words of Quigley. The Young Plan led to the establishment of the Bank for International Settlements at Basel, Switzerland, ostensibly to facilitate international reparations payments between countries' central banks; today, however, the BIS dictates monetary policies to Western and other nations worldwide, including Australia.

Future instalments will cover the British austerity model, its promotion through international economic conferences, its installation in Austria and Italy, and the Bank for International Settlements and post-WWII Mont Pelerin Society takeover.

12. "The British Empire's European Union, A Monstrosity Created by the City of London and Wall Street", ACP pamphlet, available at citizensparty.org.au/publications

13. Named for John Pierpoint Morgan, the House of Morgan would later merge with Chase Manhattan which evolved from the Manhattan Company founded in 1799 by Aaron Burr, the assassin of US Treasury Secretary Alexander Hamilton. Burr's wife's family was well connected with British and Swiss financiers linked to Lord Shelburne (Chaitkin, *Who We Are*). Quigley notes that the House of Morgan also precipitated the infamous US "Panic of 1907", which led, as intended, to the creation of the US Federal Reserve System in 1913.

The genesis of austerity (Part 2)

The post-WWI cauldron of neoliberalism

By Elisa Barwick

Following World War I, European nations, which had paid for the manipulated conflict with the blood of millions of young men, faced heavy debt burdens, disrupted economies and crushed infrastructure, with a compounding crisis of supply shortages and mounting inflation. Any inclination towards the American System model of uplifting the real economy with national credit directed into productive development (Part 1), had been purposely killed. Europe was ripe to be swept into a new economic order, one that would reduce inflation and increase ***relative*** *economic capacity by smashing the standard of living of the vast majority of the population through an austerity regime. The architects of the new arrangements imposed inviolable rules administered by supposedly independent experts, forming a veritable bankers' dictatorship.*

Echoing British Munitions Minister David Lloyd George's 1915 warning that WWI would unleash a "deluge" of changes in the political order, a month after the war ended US President Woodrow Wilson told staff onboard the SS *George Washington* that "Liberalism is the only thing that can save civilisation from chaos". To avoid "the typhoon", he intoned, "Liberalism must be more liberal than ever before". While the US Congress rejected League of Nations (LoN) membership (despite Wilson's key role in designing it), the USA would soon be swept up in the new economic framework the LoN set into motion.

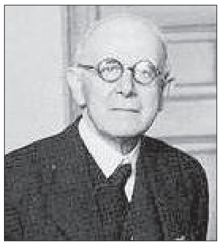
Liberalism was reinvented to lock nations into austerity, but the new post-war economic doctrine didn't fall far from the classical liberal tree. It stemmed, as economist Mark Blyth summarises, from John Locke's economic individualism, David Hume's denunciation of state debt, and Adam Smith's emphasis on parsimony (frugality) as the driver of private investment, via savings.[1]

The British austerity doctrine

Before launching the new order on an international scale, the British Treasury ran a pilot project at home. A key figure in devising the UK's severe post-WWI austerity policy was Ralph G. Hawtrey, a Cambridge mathematician and economist who had worked at Treasury since 1904. His prescriptions, which became known as the "Treasury view", were embraced by both the Treasury and the Bank of England. Hawtrey advised then-Chancellor of the Exchequer (1924-29) Winston Churchill and influenced two controllers of finance, a position with the greatest control over the chancellor: Sir Basil P. Blackett (1917-22) and Sir Otto Niemeyer (1922-27). Blackett went on to enforce austerity as finance member of the Viceroy Executive Council in India (1922– 1928); Niemeyer, a close friend of Bank of England Governor (1920-44) Montagu Norman, would later direct its use abroad, from Brazil to Australia.

Economic historian Clara Mattei has documented how Hawtrey translated this British austerity model into international doctrine at conferences held in Brussels, Belgium (1920) and Genoa, Italy (1922), which set the stage for supranational control of national economies.[2]

With a large war debt, British policy after WWI was focused on balancing the budget, debt reduction and reducing public expenditure. The top priority was price stabilisation—keeping inflation down and the currency stable. With around a million Britons killed in the war, the economy was in tatters, but Hawtrey's plan would crush it further with a radical adjustment of wages and prices, deemed necessary to stabilise currency values, trade flows, and restore the gold standard, which had been suspended or abandoned by most countries during the war. The gold standard, administered from the City of London, fixed the value of currencies to the price of gold, restricting the money supply and the ability of governments to issue credit.



British Treasury official Ralph G. Hawtrey. Photo: Wikipedia

This adjustment, Hawtrey admitted, would be a "painful and laborious journey", demanding national sacrifice. Treasury files examined by Mattei reveal that the Advisory Committee of Finance and Commerce of the Trades Union Congress and the Labour Party, in a June 1924 memorandum, protested that raising interest rates "looks very much like a sacrifice of the immediate interests of the general community to the immediate interests of the bankers."[3] For the Treasury technocrats, however, such a priority "even overwhelm[ed] any reservation about the lack of democratic representation", wrote Mattei; or, as Blyth put it, "[Y]ou can't run a gold standard in a democracy"—or at least only until the voters boot you out!

Hawtrey was obsessed with inflation, which stemmed, he believed, from the "unruly nature" of credit. Increased credit would lead to increased production, higher employment, heightened consumer purchasing power and therefore greater demand, stimulating more growth, more credit and so on. Such a spiral was incapable of self-correction, he believed. Viewed through the monetarist lens, employment and higher wages were seen not as an achievement of economic progress but a threat to fixed standards of value such as the gold standard (and to the power of the City of London bankers who managed it), through inflationary pressure. In a memo to the Chancellor, Blackett blamed inflation on the increased purchasing power of the poor classes, previously "restricted by the narrowness of their purses". As Blyth describes, to uphold the gold standard, "the domestic economy was quite deliberately going to be squeezed so that the value of sterling and, not coincidentally, the profits of finance, would be maintained."

Regressive taxes were increased to impose "compulsory thrift" on the poor. The focus on debt reduction meant funnelling money to the holders of that debt, namely the wealthiest layers of society. In a 1921 note to the Chancellor,

1. Mark Blyth, *Austerity: The History of a Dangerous Idea* (Oxford U. Press, 2013).
2. "Hawtrey, Austerity, and the 'Treasury View', 1918-25", *Journal of the History of Economic Thought*, Dec. 2018.
3. Clara Mattei, *The Capital Order: How Economists Invented Austerity and Paved the Way to Fascism* (U. of Chicago Press, 2022).

A 1926 rally demanding adequate housing for Britons. Photos: historic-uk.com

Niemeyer stated outright that "debt repayment extracts money from those who are not likely to save and invest [the poor] and makes it available to those that are more likely to do so".

New government spending would be met, said Hawtrey, by "taxation or loans drawn from genuine current savings". A Hawtrey memo inspired an infamous 1929 budget speech by Churchill in which the Chancellor levelled the now popular argument that government borrowing in the market crowds out private enterprise. Hawtrey argued in a 1925 article in the economics journal *Economica* that the "contention that public works give employment themselves is radically fallacious".

A 1921 Committee on National Expenditure that earned notoriety as the "Geddes Axe", named for its chair Sir Eric Geddes, shuttered public housing programs, universal healthcare plans, defence, and planned compulsory education; but unemployment payments grew. The number of unemployed workers had already quadrupled in one year, from 1920 to 1921, to 17 per cent of the labour force. The Treasury simultaneously ran a privatisation program, eradicated "superfluous ministries", slashed public service salaries, and laid off 11 per cent of public employees in one year. All up, some 20 per cent of central government spending was cut.

To put down dissent, the British government engaged in restrictive actions, including the October 1920 *Emergency Powers Act*. With the declaration of a "state of emergency", it was utilised during strikes, allowing interventions for any "purposes essential to the public safety and the life of the community". New legislation limited strikes and made participation in unlawful strikes a criminal offence. In 1927-28 the number of strikes halved, compared with three years prior. Union membership halved within ten years. This increased what Mattei calls industrial austerity, and the erosion of workers' rights and conditions. Industrial wages declined by two-thirds from 1920 to 1922.

The bankers' plan

Britain's post-WWI financial plans would involve the delegation of powers through an international network of bankers, including those ensconced in the central banks of nations. With European nations reeling from the loss of life and economic capacity (some 4 per cent of the German and 3 per cent of the Italian population, for example, had been wiped out by combat and disease within less than five years, not counting the influenza epidemic of 1918, which killed millions more across the continent), the proposal to subject these nations to further sacrifice would require some craft.

British government officials worked closely with prominent banking families (including Baring, Warburg, Rothschild, Morgan), insider Carroll Quigley explained, to enshrine the absolute "sanctity of all [monetary] values and the soundness of money" into an immutable economic system.[4] The banking network, he said, was "devoted to secrecy and the secret use of financial influence in political life". It "was necessary to conceal, or even to mislead, both governments and people about the nature of money", to accomplish their task. As Hawtrey wrote in a 1925 memo, "The future of currency notes", absolute economic power belonged to a "closed oligarchy".

In 1925 Montagu Norman told Benjamin Strong of the New York Federal Reserve Bank there was need for a "private and eclectic Central banks' club, small at first, large in the future". A mid-1927 meeting in New York would kick off this process. Norman, Strong, Charles Rist of the Bank of France, and Hjalmar Schacht of the German Reichsbank took part.

A series of international conferences in Paris in 1867, 1878, and 1881, and in Brussels in 1892, had attempted to coordinate international financial relations among national financial agencies. Proposals had been entertained for a single gold (and potentially silver) standard; decimalisation and coordination of currencies; an international currency; and an international clearing house. Gianni Toniolo, historian of the BIS and economics professor at the University of Rome, wrote that the conferences "aimed to codify a monetary utopia".[5]

The Venetian financier Luigi Luzzati, an Italian Member of Parliament, Treasury minister (late 1890s until mid-1921) and prime minister (1910-11), was one of the earliest voices pushing for coordinated central bank control of national economies. In a 1907 article he argued that the liquidity crisis, or "monetary famine", of that year, combined with a US stock market slump, had sparked a "monetary war". He called for an international financial commission, free from political interference, to coordinate "international monetary peace", so that national interests did not colour what should be—so he claimed—technical and apolitical interactions. US Treasury Secretary George Cortelyou, a close adviser to Wall Street favourite President Theodore Roosevelt, reacted positively to Luzzati's ideas, proposing a European central bankers' conference to flesh out the proposal.

These ideas were taken up at a 1912 Brussels conference of European nations, many of which saw the newly established American Federal Reserve as a model for an international central bank. Coinciding with the outbreak of war, the financial crisis of 1914—the most serious liquidity, currency, stock market and banking crisis the UK had ever seen[6]—saw the matter pushed up on the agenda. Luzzati continued to preach his vision for "monetary peace" at conferences in Paris in 1915 and 1916, and would do so in Genoa, Italy at one of the major post-war conferences.

At a 1916 London economic conference, French Commerce Minister Étienne Clémentel demanded "a new economic era, one which permits the application of new methods, founded on control, on collaboration ... a new order of things, which will mark one of the great turning points in the economic history of the world." He saw potential for France, Britain and the USA to control key raw materials, with European integration a crucial facilitator. Jean Monnet, who had assisted Arthur Salter in setting up the wartime resource and goods cartels (Part 1), was his collaborator in this endeavour.

The international financial conferences held at Brussels in September-October 1920 and Genoa in April-May 1922 brought this agenda closer to fruition. After the Brussels

4. Carroll Quigley, *Tragedy and Hope: A History of the World in Our Time* (Macmillan, 1966).
5. Gianni Toniolo, *Central Bank Cooperation at the Bank for International Settlements, 1930-1973* (Cambridge U. Press, 2005).
6. "National banking as war prevention strategy", *AAS*, 15 Dec. 2021

forum, Bank of England Governor Montagu Norman wrote a manifesto, the "General Principles of Central Banking" (1921), which specified "autonomy and freedom from political control" for all central and reserve banks and mandated cooperation among them. This work laid the foundations for the creation of the Bank for International Settlements (BIS) in 1930, but the concept would first require a proving ground.

Brussels, 1920

The League of Nations convened the Brussels conference, with delegates from 39 nations. (The USA was there unofficially; Soviet Russia, still in the throes of its brutal civil war, was not represented.) Its purpose was to find a "means of remedying and of mitigating the dangerous" financial crisis, according to League documents. On the agenda was the Treasury checklist: tackling the inflation threat by balancing budgets and raising interest rates; restoring exchange rate stability; and implementing price stabilisation to free up trade flows.

Based on preparatory documents submitted to Brussels and Genoa and verbatim transcripts of the events, Clara Mattei shows how the conferences ushered in a major ideological shift in economics.[7] Despite claims that those conferences failed because concrete agreements were not achieved, in fact a new "financial code" came into existence, with economic austerity at its core.

Both conferences were dominated by business and financial experts, bankers and treasury officials, rather than politicians and diplomats. A handful of economists drafted the austerity agenda for the Brussels conference, including prominent Italian economist Maffeo Pantaleoni, who was representing the Financial Commission of the League of Nations and would go on to draw up the early phase of Mussolini's economic program. Additionally, the League requested detailed financial information from states attending. In what was, retrospectively, a preview of Bank for International Settlements' surveillance and record keeping, a pre-conference was held in London to assist nations in standardising their data. Hawtrey memos circulated at that event.

Fearing that workers' movements would agitate for continued government intervention to support the economy, as during the war, bankers at Brussels stated that, far from the population expecting "some great betterment of their lot", a "painful" solution was now required. This would include "reducing the home-consumption to the strictly necessary and avoiding the superfluous, e.g., excessive consumption of butter, sugar, etc." That this would require enforcement was acknowledged. Pantaleoni stated outright: "[W]here democracy is strong, public finance will go the wrong way".

These arguments for austerity echoed those of Smith, Ricardo and Malthus, wrote Mattei, but needed to be couched in new terms, since the tenets of those "experts" had failed during wartime.

The Resolutions adopted at Brussels indicated the new platform of admissible economic and financial policy.

Resolution I railed against the tendency of states to regularly "incur fresh expenditure", proposing "the need for re-establishing public finances on a sound basis".

Resolution II added: "The country which accepts the policy of budget deficits is treading the slippery path which leads to general ruin; to escape from that path *no sacrifice is too great*". (Emphasis added.)

Resolution IV condemned welfare spending, unemployment benefits, price controls, and subsidisation of public services as "uneconomical and artificial measures", specifically "the artificial cheapening" of bread and coal, and "the maintenance of [stable] railway fares, postal rates and charges for other government services" to assist the population.

Resolution VI declared: "Fresh taxation must be imposed to meet the deficit and this process must be *ruthlessly* continued until the revenue is at least sufficient to meet the full amount of the recurrent ordinary expenditure." (Emphasis added.) *Except*, a later caveat stated, for taxation which "might be a burden on private industry".

Conference organisers believed a "sense of alarm had to be spread", Mattei noted. Alberto Beneduce, a future economic adviser to Mussolini,[8] said it was necessary to "act upon public opinion, on the psychological state of the masses, so that they would no more impede but help to re-establish the budget of the State". Everything hinged on "savers", i.e. the wealthy class who had money to invest and were considered the "sole driver of capital accumulation", in Mattei's words. They got off scot-free, while the lower classes were squeezed relentlessly.

Resolutions reached by the Commission on Currency and Exchange specified that central banks should be independent of political forces and beholden solely to "the lines of prudent finance"; that interest rates must be raised in the name of "wise control of credit … to promote economy"; and that governments should be subjected "to the normal measures for restricting credit", as are individuals. They also promoted privatisation, touting private business as "a far more potent instrument for the recuperation of the country" than governments. The Commission on International Credit advocated a return to the gold standard.

The final resolution of Brussels, **Resolution X**, stated that thrift was the only virtuous action for both governments and people. Any nation that did not execute such a prescription "is doomed beyond hope of recovery". Stated the final clause: "It is the duty of every patriotic citizen to practice the strictest possible economy and so to contribute his maximum effort to the common weal". The mandate was clear.

The principles of austerity were endorsed by all nations present, which also recommended that the League of Nations establish a "committee of bankers and business to frame measures to give effect to certain decisions of the conference", according to British historian Patricia Clavin.[9] The League's "economic and financial committee was not officially an intergovernmental forum", writes Clavin, "but rather a body made up of 'independent experts'...."

Genoa, 1922

International financiers from 34 nations converged on Genoa, Italy on 10 April-19 May 1922, at the behest of then British PM Lloyd George, to secure economic cooperation among European powers and resolve issues with Germany and Soviet Russia. There had already been fierce disagreements among the major powers over how to solve German reparations difficulties and what to do about Russia, now under the control of the Bolshevik Party of V.I. Lenin, who was seeking economic relations with the West.

Hawtrey played a major role in preparations for Genoa,

7.Clara Mattei, "The Guardians of Capitalism: International Consensus and Fascist Technocratic Implementation of Austerity", Laboratory of Economics and Management, Sant'Anna School of Advanced Studies, Pisa, Italy, Sept. 2015.

8. Claudio Celani, "Britain's Role in Creating Fascism, Yesterday and Today", AAS, 25 Jan. 2023, covers Beneduce's role in Mussolini's government.

9. *Securing the World Economy: The Reinvention of the League of Nations, 1920-1946* (Oxford U. Press, 2013).

his prescriptions incorporated word-for-word into conference resolutions. He led the UK delegation, meeting with delegates privately every day. His memos specified that only cooperation among central banks could rein in inflationary tendencies, by altering interest rates and regulating credit, "with a view of preventing undue fluctuations in the purchasing power of gold" and thereby promoting stable currency values. The first Genoa resolution said, "[A]n effective gold standard should be aimed at" internationally.[10]

By 1919 most countries had abandoned the gold standard, upon which London's hegemonic role in global finance hinged. The gold standard, Hawtrey would point out in a 2 September 1925 *Times* article, "had special importance for this country owing to the magnitude and leading position of the English financial market", which "had suffered...", he wrote, "while the gold standard had been in abeyance." Hawtrey bragged that despite the post-war rise of the USA, British "power over world credit" was still superior. Hawtrey advised Chancellor Churchill that an unstable currency was untenable: tying itself and other nations back to the gold standard was priority number one.

As historian Quigley explained, the aim was to "force all the major countries of the world to go on the gold standard and to operate it through central banks free from all political control, with all questions of international finance to be settled by agreements by such central banks without interference from governments." The gold standard the British were pushing, however, was not "a" gold standard, but "the" gold standard, i.e. fixing currency values to gold holdings *at the same exchange ratio as in 1914*. Austerity policies would be required, to revalue currencies.

The gold standard would restrict nations' creation of credit and prevent the economic "poison" of inflation, as Hawtrey described it. Expansionary policies would otherwise lead to an outflow of gold (to pay for more imports, demanded by a population that was better off), making it difficult to keep enough gold on hand to maintain a stable currency value. Only austerity, including lower wages, could restore competitiveness.

Genoa conference resolutions approved the recession-inducing return to "sound currency" and "prudent finance" directed by private corporations, namely central banks, "free from political pressure". Foreshadowing the future mandates of the BIS, financial stability was the foremost objective and in a preview of conditions attached to IMF loans, Genoa resolutions stated: "Proof of serious efforts to improve the condition of its public finances will be the best guarantee which the borrowing country can offer to prospective lenders."

The Financial Commission of the Genoa conference established the "code of Genoa" for financial stability: limiting the issue of paper currency, fixing of a parity with gold, and international control of credit. Its Resolution VII stated: "The most important reform of all must therefore be the balancing of the annual expenditure of the State without the creation of fresh credit". Government budgets would have to be covered "by taxation or loans drawn from genuine current savings", as Hawtrey specified. This echoed Brussels resolutions that had declared capital loans must be sourced only from "the real savings of the people". Only by "reducing internal consumption", that of the people and that of the government, can a nation balance the budget, the Genoa resolution specified.


Genoa Conference delegates, with British PM Lloyd George at front, left. Photo: Wikipedia

Germany and Russia did not go along with their problems being "solved" under the international financiers' schemes. German Foreign Minister Walter Rathenau (an industrialist, musician and artist) and Soviet Foreign Minister Georgy Chicherin (author of scathing memoranda against the British Empire) took their delegations 25 km down the coast to the town of Rapallo, where they signed a treaty forgiving each other's reparations debts in favour of joint industrial and resource development. The Genoa conference was thrown into disarray. Rathenau would be assassinated two months later, but the ghost of Rapallo—the spectre of German-Russian co-operation for economic progress—has haunted London financiers' designs for supranational control over Europe ever since.

The Italian government of Luigi Facta, which had bent over backwards to accommodate Britain's plans—travelling to London for preparatory meetings and spending millions of lire to provide secure facilities in Genoa, though the city was besieged by economic breakdown, social instability and influenza—was forced to resign within three months of the conference closing. American historian Carole Fink depicts Genoa as a "bridge between Giolitti's Italy and [that of] Mussolini", the man who would soon take centre stage.[11]

Despite the withdrawal of Germany and Russia, and the refusal even of France to sign key conference documents, London plunged ahead with Genoa's "new financial code", as President of the Financial Commission Sir Laming Worthington-Evans, then British secretary of state for war, called it. This code, he asserted, was "no less important to the world today than was the civil code of Justinian", which under Byzantine Emperor Justinian I (in power 527-565) established a comprehensive legal code by unifying past juridical decisions. "Here at Genoa", wrote Worthington-Evans, "there have been assembled experts in finance and economics, each known in its own country as the leading authority upon the subjects with which we are dealing, and their combined wisdom ... has resulted in agreement upon a series of resolutions which will be a guide, and I hope a code, to be followed and observed in the same way as the laws due to the learning of Justinian."

A new financial order was being established based on "pure" monetarist economics administered by technocrats, to prevent subversion of private power by governments. We must avoid "adoption of such measures of nationalisation and socialisation which might substitute Government action to private enterprise", Belgian Prime Minister Léon Delacroix had told the Brussels gathering. "The austerity experts' overarching goal was to bulwark economic relations from the influences of politics and state intervention", states Mattei in *The Capital Order*; "even in a parliamentary democracy like Britain ... austerity was (and still is) an outright repressive project."

Next: *Test tubes: Austria and Italy*

10. Citations in this section regarding Genoa are sourced from various pieces by Mattei.

11. Carole Fink, "Italy and the Genoa Conference of 1922", *The International History Review*, Feb. 1986. Giovanni Giolitti preceded Facta as head of government.

The genesis of austerity (Part 3)

Test tube: The Austria project

With the end of World War I came economic crisis and immense turmoil. In Europe food and raw materials were scarce and famine was rife, even as the "Spanish" flu pandemic added to the war's incredible death toll. Prices soared worldwide, fed by wartime spending and a post-war consumption boom. By 1920, central banks started putting on the brakes, increasing interest rates to rein in the expansion. Determined to prevent the peacetime extension of wartime government interventions to support the economy, the British Treasury with its League of Nations vehicle, the Economic and Financial Organisation, moved rapidly to establish a precedent that would lock nations into a new austerity regime.

An experimental phase of austerity in Britain had been launched immediately at the close of World War I while Germany was being fettered with reparations, but two other states were selected to model imperial designs for a new global financial order: Austria and Italy. Austria was a shard of the Austro-Hungarian Empire, which had disintegrated during the war and, defeated, had been finally dissolved by treaty with the victorious Allies in 1919. Post-war Austria was left with barely one-eighth of the Empire's territory and without the industrial centres in Czechoslovakia that had made Austria-Hungary the world's sixth-largest manufacturer. With its (formerly Imperial) governing institutions in disarray and a collapsing currency, the new Austria faced rising unrest from an impoverished, infirm population. It was desperate for assistance, making it a perfect target for the bankers' plans.

In neighbouring Italy, the population responded to rising inflation and unemployment with strikes, factory occupations, looting and rioting, in the social upheaval known as the Two Red Years (*Biennio Rosso*, 1919-20). By 1921 Prime Minister Giovanni Giolitti did what had been previously unthinkable: in a sign of the austerity to come, he abolished the "political price of bread"—a subsidy of bread that had ensured that even the poorest citizens were fed. In both cases, "reformers" proceeded to demonise any active role of government in the economy, scrap wartime subsidies and dismantle economic regulation in the name of paying back the wartime debt.

Soon after the Genoa financial conference, held April-May 1922 (Part 2), the governments of both Austria and Italy fell, providing the opportunity for the introduction of the new "Genoa Code" of economic austerity—in Austria under an externally directed League of Nations program, and in Italy under Fascism.

The newly installed leaders, Austrian Chancellor Ignaz Seipel and Italy's *Il Duce* ("The Leader") Benito Mussolini, were in the pockets of the British-directed League of Nations, or British Treasury and City of London banking networks. Central banks became a key interface for the League's financial reconstruction schemes, their autonomy having been made a top priority at the Brussels and Genoa conferences. Montagu Norman, who took the reins of the Bank of England in 1920 (having been a director since 1907), made it his personal mission to see all European central banks become fully independent of their countries' governments. Both Italy and Austria revamped their central banks to operate as satellites of the Bank of England. Over the reparations barrel, Germany too was forced to make the Reichsbank, its central bank, more independent. Reichsbank chief Hjalmar Schacht took a trip to London, hosted by Norman, to meet City financiers shortly after taking the reins of the bank in late 1923.

Implementation of the austerity agenda was fast-tracked in Austria by Austrian School economists (about whom more, below) working with Bank of England staff, operating under the authority of the League of Nations, to bypass national control. Austria became a model for the elimination of crucial government functions, slammed as top-heavy "bureaucracy"; the aim was "to make policy independent of parliament and the political parties",[1] supposedly making the economy more efficient. We look at Austria first, but as we will see in the next instalment, Mussolini would push an identical policy in Italy.

Austrian Chancellor Ignaz Seipel (left) and his economic advisor Ludwig von Mises. Photos: Wikipedia

The British role

"Vienna is at the present moment, a place which I should like to call the League of Nations' International Reconstruction Laboratory."

—League of Nations General Commissioner Alfred Zimmerman, 29 March 1923[2]

It was generally feared that the post-war Austrian financial situation would destabilise all of Europe, but rescue loans could not be arranged, despite intensive discussions at the Genoa conference and in other forums. All of Austria's assets were already held as collateral against its war reparations; there was nothing left against which to secure new loans.

Following earlier approaches, commencing in 1921, Austria made a desperate appeal to the Allied Powers at a London conference in August 1922. Seipel begged for a League intervention, without which, he said, "the new Austria which [the Treaties of Peace] created is incapable of existence". Answering his call on behalf of the League Supreme Council, British Prime Minister Lloyd George ruled: "there is no prospect of further financial assistance to Austria from the Allied Powers, unless the League were able to propose such a program of reconstruction, containing definite guarantees that further subscriptions [loans] would produce substantial improvement and not be thrown away like those made in the past".

In his address to the forum, Lord Arthur Balfour blared: "No-one will lend to Austria unless Austria can produce not only what are called good securities for the loan but some clear prospect that the State will be henceforth governed on

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1. University of Notre Dame (USA) historian John Deak's words, from "Dismantling Empire: Ignaz Seipel and Austria's Financial Crisis", in *From Empire to Republic: Post-World War I Austria*, University of New Orleans Press, 2010.
2. Nathan Marcus, *Austrian Reconstruction and the Collapse of Global Finance, 1921–1931* (Harvard University Press, 2018).

those *sound financial principles* on which alone the permanent stability of the State depends, a stability without which no wise lender is going to risk his money." (Emphasis added.) At the time Balfour was Lord President of the British Crown's powerful Privy Council. As Prime Minister in 1904, he had secured the *Entente Cordiale* with France, the British-French alliance which isolated Germany and laid the basis for the war that had wiped out Germany and Austria and set back growth and cooperation on the continent for decades (Part 1).

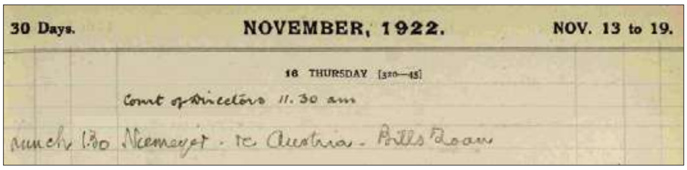
On 4 October 1922 the League of Nations General Assembly agreed to protocols for new loans to Austria, requiring establishment of a new "independent" central bank, the National Bank of Austria, under tutelage of the Bank of England—dedicated to financial stabilisation. In November 1922 the Austrian Parliament passed an Enabling Law to provide government with the powers necessary to implement the program. The League sent a delegation from its Economic and Financial Organisation's (EFO) Financial Committee, thereafter stationing a permanent emissary in Vienna. To achieve the confidence of foreign funding markets, Austria had to accept international control over all matters of finance. It ceded control over budgets, loans, and use of assets, to the Committee's commissioner general.

Britain was the primary player in the post-war scheme for Austria. Montagu Norman personally arranged the League's role and oversaw the set-up of the Austrian scheme, working closely with the Financial Committee and the heads of the US Federal Reserve, Banque de France, and other major banks, particularly JP Morgan. Under Norman's oversight, EFO head Arthur Salter, Jean Monnet (who ran the wartime economic cartels, Part 1) and Basil Blackett (from the League's Financial Committee, Part 2) were key architects of the scheme. A new mechanism for foreign intervention and supranational control was being shaped.

For Britain, "the plan for Austrian financial reconstruction was at least in part a means of reconstructing pre-war financial structures" including the gold standard—a system "with London at its heart".[3] But it was couched in terms of saving the all-but-destroyed currencies of European nations. For Austria, this meant that the "hardships and deprivations of war continued well into the 1920s", historian John Deak noted. Salter, one of the British masterminds of the League and its austerity policies, wrote that Austria lived "pitifully and precariously. She froze in winter, and a large part of her population was hungry throughout the year. Her middle class was almost destroyed.... The mortality was high and, among children, terrible."[4] Hungarian-American political economist Karl Polanyi, who lived through it, said that "small and weak countries", like Austria, "literally starved themselves to reach the golden shores".[5]

Von Mises and the Austrian School

When Seipel signed onto this program he was advised by Ludwig von Mises, who was assisted by his young protégé Friedrich von Hayek. They would both become renowned as leaders of the notorious neoliberal Austrian School of Economics. Von Mises also served the Bank of England's Montagu Norman, through his work for a League of Nations outfit called the Graduate Institute for International Studies in



Diary entry by Bank of England Chair Montagu Norman. That month meetings were also logged with J.P. Morgan "as to Austrian loan", with Monnet and with Zimmerman. Photo: Bank of England Archive

Geneva, largely controlled by Norman and Salter. Von Mises founded and, with von Hayek, manned the Austrian Institute for Business Cycle Research in Vienna; their notions about business cycles as a periodic, long-wave process were explicitly aimed against the American System of directed credit to guide economic and scientific progress. They maintained that the "extension of credit" leads to "overinvestment", resulting in business cycles and crises.[6] Both institutes were funded by the New York-based Rockefeller Foundation. Mises was also secretary of the Vienna Chamber of Commerce, and ran a private seminar for economists; his trainees went on to infect the policy-making of many countries, including the United States, with the neoliberal doctrines.

These institutes were forebears of the British Crown-financed Mont Pelerin Society (MPS), a think tank von Mises and von Hayek co-founded after World War II to head off a worldwide resurgence of American System, national-economy policies, which had already been started by US President Franklin Roosevelt to beat the Great Depression and mobilise against fascism in the War. The opening address at the founding 1947 conference of that body would be given by senior League of Nations figure William E. Rappard, a cofounder of the Graduate Institute. At that forum, Rappard would declare: "Most policies all over the world today are in fact illiberal and it is because we believe that they should be liberal that we are assembled here today." Visiting scholars at the Graduate Institute included von Hayek and early supporter of Italian Fascism, Luigi Einaudi. Einaudi was a close friend of Mises who shared many of his ideas. He became president of Italy after WWII (1948-55) and was one of fewer than 40 thinkers invited to the inaugural MPS conference (though unable to attend).

Von Mises was inspired by the original Austrian School of Economics, discovering Carl Menger's *Principles of Economics* at a young age. Menger, a pre-war retainer for the Hapsburg royal family, had founded the Austrian School with his *Principles of Economics* in 1871, and subsequent books which attacked the American System's use of credit and its European supporters such as Chancellor Otto von Bismarck (Part 1). Menger's ideas paralleled those of Alfred Marshall, the founder of the Cambridge school of economics in England and crusader against the American System,[7] who developed notions of modern monetarism based on the concept of "utility" (weighing the benefit of a given policy solely in terms of its costs), updating the doctrine of John Stuart Mill and other British liberals. (Explored in pamphlet cited in Note 6.)

Von Mises devised a new business cycle theory that blamed inflation and depressions on the mere issuance of bank credit. This built upon the 1840-50s British Currency School theory, which rejected credit-creation and insisted currency be 100 per cent backed by gold. Under this theory, extra

3. Barbara Warnock, *The First Bailout: the Financial Reconstruction of Austria 1922-1926* (PhD thesis, Birkbeck College, University of London, 2015).
4. Arthur Salter, "The Reconstruction of Austria", *Foreign Affairs*, June 1924.
5. That is, to meet currency targets to align with the gold standard. Karl Polanyi, *The Great Transformation: The Political and Economic Origins of Our Time* (Farrar & Rinehart, 1944).

6. "Two varieties of monetarism: the Keynesian and 'Austrian' foes of real economic progress", in Citizens Party pamphlet *Who ended the Bretton Woods system and opened an age of infinite speculation?*, 2021, available at citizensparty.org.au/australian-alert-service-feature-articles/economic.
7. Marshall was a cousin of Ralph Hawtrey, who designed the British Treasury's austerity program (Part 2).

spending can only be funded by increased savings, funnelled into investment. Bank credit is akin to "pseudo-savings" and necessitates a recession afterwards "by which the market liquidates unsound investments".[8] This thinking closely mirrors that of British economist Ralph Hawtrey, who also contributed to business cycle theory. Von Hayek elaborated on this thesis, for which he later won a Nobel Prize.

The Austria Protocol

According to the protocols for Allied loans administered by the League of Nations, Austria forfeited control of financial and economic matters to the "independent" central bank, which in reality answered to the League. The Austrian government surrendered the right to issue paper money, or to make loans without special authorisation, and relinquished control of valuable property. It had no control over the disposal of League loans. As his personal diary notes attest, Bank of England head Montagu Norman ensured the precepts of the international conferences were followed to the letter, in order to promptly stabilise the currency and balance the budget. Many of the bankers who had written the proposals for Brussels and Genoa were now in the League's financial unit, orchestrating Austria's new policies. These transnational financiers were well aware that their policy prescriptions could not be imposed upon nations except under extraordinary circumstances; the crisis in Austria provided the perfect opportunity.

Austria was given two years to establish "a permanent equilibrium in her budget", with the 1922 Protocol document repeatedly demanding "drastic reforms". Norman's Bank of England lieutenant Otto Niemeyer, a member of the EFO's Financial Committee, talked about the necessity for "drastic economies in budget expenditure". The Committee described the period of planned reform as "necessarily ... a very painful one". But if the country did not endure "a period of greater hardship than she has known since 1919", it faced "collapsing into a chaos of destitution and starvation to which there is no modern analogy outside Russia." The conditions attached to the initial loan dictated that state industrial enterprises were to be "either suppressed" entirely, "run by the State upon a commercial, i.e., paying basis", or "transferred to private management". The number of government ministries was reduced, budgets were cut, and administrative reforms introduced. The state must "take all measures within its power to prevent an increase of the deficit (such as raising of railway, postal, telegraph, and telephone charges, increases in the prices at which the products of the tobacco and salt monopolies are sold, etc.)".[9]

Deep cuts in government expenditure were made, including lay-offs of nearly 100,000 state employees, close to 30 per cent of the public service (plus more at the provincial level). Railway, postal and telegraph services were slashed. Subsidies on rail travel were reduced and the state rail company was commercialised according to a British plan. Postage rates were jacked up 50 per cent. Grants to provinces were cut. Some taxes were raised. League Commissioner-General Zimmerman played a hands-on role, even personally identifying rail guards whose jobs could be made redundant.

Budgets for public health were cut by a health reform bill mandating hospital closures in working-class areas. Services for war veterans, widows and dependents were cut, affecting up to 8 per cent of the population. These included pensions, healthcare, and education services. Veterans' hospitals and care homes were closed; food subsidies were cut.

The Genoa standard meant putting "stability of the currency"—requiring balanced budgets, reduced national debts, and independent central banks—ahead of the livelihood of the people. An April 1921 League of Nations memorandum mandated that Austria must concentrate "all her forces in a firm and tenacious desire to attain equilibrium in her public finances". A subsequent memo stated that a balanced budget would inevitably "exact considerable sacrifices from the Austrian people". In further communications a 1921 Financial Committee Delegation made clear that the "most stringent measures" it required would "impose [on the Austrian people] CONSIDERABLE PRIVATIONS" (emphasis in original), i.e., slashing consumption of food and other essentials.

The conditions attached to League loans rapidly depressed the economy. Hiking interest rates—to 13 per cent in 1925—to "maintain the value of the currency" cramped investment. Bankruptcies soared, including of small banks, and industrial and commercial companies. These closures drove up unemployment to among the highest levels per capita in the world.

When a League official mooted looser monetary policy—"anathema to the Financial Committee and its supporters, such as Montagu Norman", writes Warnock—the League's leadership quickly quashed the idea. Efforts from the City of Vienna and regional administrations, to solicit loans to invest in the economy, caused conflict.

Although the League's program severely destabilised the Austrian banking system and economy, it was proclaimed a success. By 1931 "Austria [would be] at the centre of a banking crisis" that exacerbated existing "political and economic problems of the 1930s". In fact, the mere announcement of the League's plan touched off an orgy of speculation, even before any reforms were implemented. Bullish investors, both in Austria and overseas, started a stock market boom that continued over the course of 1923. The banks neglected industry in favour of speculation, which inevitably led to a stock market collapse by early 1924. The League's policies "cured" hyperinflation by September 1922, but, absent real investment, half of the country's banks collapsed and disappeared in 1923-27. (This crisis would lead directly to the collapse of Austria's giant Creditanstalt bank in 1931, which in turn triggered the international financial crash of the 1930s.) Nonetheless, Austria had become one of the first countries to re-establish the gold standard after the war, a major goal in the international financiers' post-World War I design of a neoliberal order.

Salter's precedent and the Dawes Plan

Austria formed a precedent for how German war reparations could be enforced. Germany had been perpetually in default on its obligations since reparations were scheduled by the Allied Reparations Commission in 1921. By early 1923, French forces occupied the Ruhr to enforce payments. This region produced three-quarters of Germany's coal, iron and steel. Germany's reaction included printing money to pay the reparations, which quickly led to hyperinflation, leaving the Reichsmark, the German currency, worthless by late 1923. By 1931 the entire scheme would fall apart, leaving Germany's economy wrecked.

The League of Nations' Arthur Salter, head of the Reparations Commission, revelled in what the Austria trial had accomplished.[10] He referred to the effort at Genoa and preceding financial conferences (Part 2) to remove obstacles to

8. Murray N. Rothbard, "Ludwig von Mises (1881–1973)", Mises Institute.
9. *The Restoration of Austria, Agreements arranged by the League of Nations and signed at Geneva on October 4th, 1922* (League of Nations, 1922).

10. Salter, "The Contribution of the League of Nations to the Economic Recovery of Europe", *The Annals of the American Academy of Political and Social Science*, Nov. 1927.

rebuilding "world economic structures". Referencing the League's programs in both Austria and Hungary, Salter declared victory for their aims—the "permanent reform of the national budget" and permanent "stabilisation of the currency". Those aims did not include "the economic reconstruction of the country", he said. "It confined itself to establishing a sound financial system and a stable currency as an indispensable foundation upon which such economic recovery could alone be surely built." But that economic recovery never came.

The untried economic theories of 1922, Salter wrote, were by 1924 "the axioms of proved experience—so completely accepted as to be regarded almost as platitudes". In a 1926 survey of the project, Salter wrote that the Austrian scheme "tested and proved…. The principles laid down at … Brussels in 1920 and Genoa in 1922."

Salter promoted the results in Austria and Hungary as a model, stressing "the results those first experimental schemes have had upon financial reform in other countries. In particular the close and direct connection between them and the Dawes scheme for Germany has never been sufficiently recognised." Austria demonstrated that reparations could be made to work, indicating that for Germany, with its greater reserves, "substantial reparations payments would not be inconsistent with the maintenance of a sound currency and budget". The noose was tightening around Germany's neck.

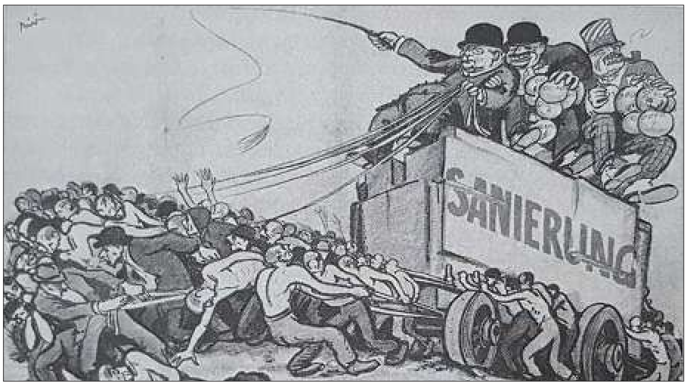
The 1924 Dawes Committee under the Reparations Commission was supposed to get German reparations payments back on track after the hyperinflationary blowout of 1923. Its attempts to reorganise the German reparations, said Salter, faced diverging views and controversy, but "the bridge" was found in the "solution" provided by Austria. In Austria, revenues from specific areas were assigned to go directly to loan repayment, without political interference. Salter laid out this advantage to the Dawes Committee, headed by JP Morgan-allied Chicago banker Charles Dawes (Part 1), which followed the Austria model very closely. Creation of an independent central bank was at the centre of the plan. Germany received an international loan to fund reparations and the Reichsmark was stabilised at the same rate to the dollar as prior to the war.

As in Austria, these stabilisation efforts restricted policy responses that could have improved economic conditions. The American loans that flooded into Germany rapidly increased foreign indebtedness and ultimately destabilised the nation, as they poured into non-productive pursuits, including to bolster the currency and banks' balance sheets.

The 1930s: Descent into fascism

The Austrian model pushed Germany down the pathway to dictatorship and war. At home, it fuelled the instability that hastened the rise of fascism.

European nations, with the 1920s crisis fresh in their minds, responded to the 1929 US stock market crash with further cuts to government spending, worsening economic conditions. With reparations debt being funded by big US loans, Germany was already in a financial vice. By 1931, Europe was in its own financial meltdown, as the collapse of Creditanstalt, Austria's largest bank by far, triggered a crisis of the entire European banking system. Creditanstalt's losses, exposed by a whistle-blower, were greater than Austria's annual budget. A run on the banks quickly spread to other local banks, a run on the currency ensued, and capital fled the nation. This drove Austria further into the clutches of the League (and the



A poster depicting bankers in a cart labelled "the reconstruction", pulled by citizens. Contemporary economist Karl Polanyi noted that "Vienna became the Mecca of liberal economists on account of a brilliantly successful operation on Austria's krone which the patient, unfortunately, did not survive." Photo: *The Meddlers*, Jamie Martin

supranational Bank for International Settlements, which had opened in 1930). In May 1931 there were bank runs and bank collapses in Germany and London. "The unravelling of Austrian banking and financial stability in the early 1930s exacerbated and prolonged the worldwide depression, and deepened the European political crisis that was to culminate in world war and genocide", Warnock writes.

A new Austrian Protocol was issued by the League on 15 July 1932. The same disastrous recipe as the League prescribed in the 1920s was spelled out: the necessity for Austria, without delay, "to maintain complete equilibrium between the revenue and expenditure of the State"; stabilisation of the currency; removal of exchange controls and obstructions to international trade; and a program of budgetary and financial reforms. It specified that the Austrian government appoint representatives to liaise with both the League and the Austrian National Bank, which operated as an external authority. It mandated "permanent economies" (slashing expenditures) to ensure a balanced budget and postponement of capital outlays, with spending for supplies or works to be granted on an exceptional basis only—*if* approved by the League. "No issue of Treasury Bills or other similar short-term operation shall by carried out by the Austrian Government on the home market unless the prior consent of the representative of the League has been given", the protocol declared. Every borrowing or credit operation—*including of a private nature*, if it affected foreign indebtedness—was subject to approval by the League and the National Bank. Every three months the government would report back on the execution of the program, which Austrian historian Siegfried Mattl called *Finanzdiktatur*—financial dictatorship.

Worsened economic conditions increased social instability and division, encouraging paramilitary forces on both the left and right of politics. In 1927 socialist paramilitary forces set alight the Palace of Justice in Vienna, provoking a brutal police response. Chancellor Seipel increasingly clamped down with authoritarian measures, sidelining the elected parliament. By 1934, five more Chancellors had come and gone and the situation had descended into civil war between fascist security forces and workers' militias, intersected by Austrian Nazi Party provocations. Fierce factional warfare marked by coups and assassinations, between the Fatherland Front (the ruling party) and the more radical Nazi Party, culminated in takeover by the latter. It was the Austrian Nazis who signed the 1938 *Anschluss* union with Nazi Germany.

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The genesis of austerity (Part 4)

Test tube: Italian austerity was Fascism

By Elisa Barwick

The British and other London-allied bankers, officials and economists who in 1919-1922 dominated the Paris Peace Conference, the drafting of the Versailles Treaty, and the subsequent Brussels and Genoa conferences on economics (Part 2) were determined to reverse the credit issuance governments had allowed during World War I. The British Treasury's "austerity" policy, which they adopted and prescribed for all countries in the post-war years—starving government budgets and populations in favour of private interests' gains—was the germ of a new version of the British Empire's liberal economic policy, eventually to be called "neoliberalism". It was a toxic brew of ideologies, united in one fundamental tenet: the nation state must be superseded by private interests. If free-market deregulation did not achieve the goal, then top-down control would be used: the state itself would police the sacrifice of public interests to private gains. In Italy this system was called Fascism. (Read Parts 1-3 online.)

The relentless enforcement of austerity in Austria ended in the Nazi takeover of that country in 1938 (Part 3). In Italy, a fascist movement ran the government and imposed the bankers' austerity already from 1922 on. This was the Italian Fascism of Benito Mussolini—a new system of control by the top several per cent of society. Its impact reached well beyond Italy's borders.

The circumstances of these two austerity test-tube countries differed. While Austria was a shard of the defeated Austro-Hungarian Empire, Italy was barely two generations on from the *Risorgimento*, the 1861-71 completion of the fight for unification as a nation-state. Although financiers, especially the ancient, powerful families of Venice, had positioned themselves to control and profit from the rapid process of industrialisation that followed, which included railway construction to connect isolated rail lines into a national system and the formation of manufacturing centres in northern cities like Milan and Turin, the experience of the successful upsurge to create the nation was still recent. Large trade union organisations existed, as well as a motley array of leftist and anarchist groups under the umbrella of the Italian Socialist Party (PSI, founded 1892 as the Party of Italian Workers).

In addition, Italy was not a defeated country in World War I and was therefore not subject to cash reparations, as Germany and Austria were under the Versailles Treaty. Formally allied with them at the outset of the War, Italy had stayed out of the combat until May 1915, when it resigned from that alliance and entered the war on the side of the Triple Entente (Britain-France-Russia). As a condition for taking this step, the government of PM Antonio Salandra, of the Liberal Union, had secured secret promises from London and Paris that Italy could annex territories of the Austro-Hungarian and Ottoman Empires in the Balkans (across the narrow Adriatic Sea from Italy) once the latter were defeated.

Wages had been raised and other concessions granted to the workers in northern Italy's factories, for the sake of stable operation of the war industry. Post-war inflation and the reduction of military production drove their incomes down. Economists who adhered to the austerity doctrines being set forth at the post-war international economic conferences argued that with the war over, labour should be priced through supply and demand like any other commodity, without government interference. The falling wages fed unrest; membership in the main, socialist-led trade union confederation, the CGL, increased eight-fold to nearly two million by 1920. The so-called Two Red Years (*Biennio Rosso—1919-20*) of labour and leftist ferment, with simultaneous peasant uprisings against big landholders in the south, culminated in September 1920 factory occupations. By the time these failed, amid factional squabbles and the lack of a national economic and political program rather than merely immediate, local wage demands, Italian bankers and their political allies at home and abroad had already moved to create counterforces to ensure that such a movement did not arise again.

Dry run in Fiume

The modern *financial* empire of Great Britain, like the infamous British and Dutch East India Companies earlier, had been modelled on the central banking and monetary control innovations of the oligarchical families of Venice, developed over centuries. It emerged in its modern form at the turn of the 18th to 19th century in reaction to the American Revolution, featuring a doctrine of free trade dubbed "economic liberalism", as summarised in Part 1. But the Venetian financiers themselves were also still active, in Italy and beyond. Count Piero Foscari headed a combine of aristocrats from the old Venetian oligarchical families. His close ally was Giuseppe Volpi (later "di Misurata"), who in 1925 would become Mussolini's finance minister.

In 1894 the Foscari-Volpi group founded the *Banca Commerciale Italiana* (BCI), both to profit from the post-*Risorgimento*

Left, Count Piero Foscari. Right, a crowd cheers his protégé Gabriele D'Annunzio in Fiume. Photos: Wikipedia industrialisation and to finance the group's economic operations in the Balkans and farther east, as well as worldwide economic cartel-building. BCI officials had great influence in several Italian governments from 1892 to 1914, especially promoting schemes for eastward expansion at Austria's expense, which both helped to trigger World War I and defined the conditions for Italy's entry into the War. All the while, the Venetian group was nurturing forces "on the ground" in Italy that would pioneer new ideas of national chauvinism and "corporativism", which in combination with revamped British economic liberalism would form the ideology of Fascism.

A dry run for a fascist regime took place in September 1919, two months before the national election. The Italian aristocrat and poet Gabriele D'Annunzio, who had been an army officer in the war, seized control of the port city of Fiume (today's Rijeka, Croatia), east of Venice around the upper end of the Adriatic. Populated by Italians, Hungarians and Croatians, formerly Austrian-ruled Fiume was disputed at the Paris Peace Conference by Italy and newly formed Yugoslavia. When the Italian government refused to annex Fiume, D'Annunzio declared it an independent state.

D'Annunzio was a protégé of Foscari, who sponsored the Fiume project and encouraged the fledgling state to use force to challenge the seat of power in Rome. Major funding was provided by Giuseppe Toeplitz of BCI, who was associated with the same wing of freemasonry as D'Annunzio.

Foreshadowing the direction Mussolini would soon take for all of Italy, D'Annunzio drafted a constitution that established a *corporative* state, a means of integrating control over every aspect of society by organising all economic sectors into

The Synarchy: power, violence, and 'government by technicians'

No discussion of austerity, the modern "bankers' dictatorship", or fascism would be complete without reference to the Synarchy, a political movement committed to maintaining the power of an international financier elite, while imposing austerity on the population at large, including with fascist methods.

The term "Synarchy" or "Synarchism" (French *Synarchie*) was popularised in the late 19th century by the French occultist Alexandre St. Yves d'Alveydre, drawing on the traditions of the Martinist Order of which he was a member. Martinism, named for one Claude de Saint-Martin, dates from the lead-up to the French Revolution of 1789.

When Lord Shelburne, of the British East India Company, strove to block the nation-building tendency in France and its potential alliance with the young United States, historian Anton Chaitkin reports, he "employed creatures from the swamp of mystics and charlatans centred in the freemasonic lodges, … in particular the Martinist Order…. Martinism … considers [that] Fallen Man … can only retore his original condition by initiation to the inner ranks of a secret society, through purgative violence".[1] The Martinists were co-instigators of the Terror, when the French Jacobin revolutionaries beheaded France's aristocrats and scientists alike. St. Yves d'Alveydre also admired the Martinist occultist Fabre d'Olivet, a personal adviser to Napoleon.

Prof. Clifford Kiracofe, formerly a senior staff member of the US Senate Committee on Foreign Relations, explained at a 2006 seminar, "St. Yves created an extreme right ideology to oppose what he perceived to be 'anarchy', particularly … anarchy among nations. He called his new ideology 'Synarchy'…. The economic dimension of Synarchy influenced the 'corporativist' political ideologies and movements of the early 20th century, such as Fascism. Corporative ideology called for the organisation of society with control held by the ruling oligarchic and plutocratic class. Labor was to be crushed and parliamentary government was to be eliminated. St. Yves' vision for Europe … called for organising Europe through a regional (Europe-wide) council composed of corporative chambers of economists, financiers, and industrialists. At the national level, each country would have such a council of its own. Through this process, finance and industry would be concentrated, and become the main political power governing society, a society in which labor was to be coerced into submission."[2]

In 1894 St. Yves d'Alveydre's follower Gerard Vincent Encausse ("Papus") published his book *Anarchy, Indolence and Synarchy*, in which, Kiracofe reported, "Papus spelled out an ambitious scheme to recruit all of the leaders of industry, commerce, finance, the military, and academia, to a single power scheme".

Synarchists in France, in 1922, formed a secret political society called the Synarchist Movement of Empire, which was uncovered by French intelligence a decade later. French investigators emphasised that in the Synarchy's emergence after the Treaty of Versailles, the French banks Banque Worms and Lazard Freres (offshoot of the internationally influential Lazard Brothers) played a central role. The movement for a Pan European Union (later promoted by the Nazis) was inspired by this network.

The Synarchist movement was no secret to American intelligence agencies during World War II. Historian William L. Langer, a veteran of the Office of Strategic Services (predecessor of the CIA), wrote in *Our Vichy Gamble* (1947) that this network had initiated the collaboration of Vichy France with the Nazis. They were "dreaming of a new system of 'synarchy', which meant government of Europe on fascist principles by an international brotherhood of financiers and industrialists."

In November 1940 the US Coordinator of Information assessed that the "reactionary movement known as '*Synarchie*'" aimed to produce "a form of government by 'technicians', under which home and foreign policy would be subordinated to international economy."

A French investigator summarised in 1941 that Synarchist movement, "financed and directed by certain financial groups belonging to the top international banking community" aimed "essentially to overthrow in every country, where they exist, the parliamentary regimes which are considered insufficiently devoted to the interests of these groups and therefore, too difficult to control.… Power would be concentrated in the hands of the CEOs of industry and in designated representatives of chosen banking groups for each country."

Prof. Kiracofe observed that the implications went far beyond France: "Synarchy provided ideological orientation for Wall Street circles with respect to economic, political, and social organisation."

"Defeat the Synarchy—Fight for a National Bank", The New Citizen*, April 2004, is an in-depth look at the Synarchy internationally and in Australia.*

1. "Synarchy against America", *EIR*, 5 Sept. 2003.
2. "The USA: Fascism Past and Present", *EIR*, 7 July 2006.

guilds or "corporations" (*corporazioni,* derived from *corpo,* meaning body; to be discussed in Part 5). The economist Maffeo Pantaleoni, whom we have encountered at the Brussels conference (Part 2), was finance minister for D'Annunzio. Pantaleoni would go on to become Mussolini's first economics tsar.

The larger-than-life ultra-nationalist D'Annunzio, backed by the Venetian group to lead this first fascist experiment after the war, was a member of a masonic lodge in the "Martinist" tradition, dating from the time of the French Revolution's Terror and Napoleon. Its rites were founded on occult violence and it held that "progress" came through torture, death, and destruction. D'Annunzio sought to "destroy the ancient Classicism", held that technology and progress were evil, and (like Friedrich Nietzsche in Germany) preached submission to the cult of Dionysus, Greek god of wine and debauched pleasure-seeking.[1] Together, the ideology and economics of D'Annunzio at Fiume express the movement known as Synarchism (box, p. II), which underlies fascism and bankers' dictatorships to this day.

Infamous Fascist rituals such as the balcony address, the Roman salute, "call and response" crowd chants, and the use of emotive and religious symbolism were pioneered by D'Annunzio in Fiume.

Seeing D'Annunzio as a competitor for the role of Italian leader drove Benito Mussolini to greater radicalism in his rising Fascist movement.

Mussolini with his four key lieutenants, the *Quadrumviri*, preparing for the March on Rome.
Photo: Wikipedia

Mussolini's rise: Made in London

The archives of Samuel Hoare, head of the British Directorate of Military Intelligence for Italy (1917-18), reveal that Mussolini was paid by His Majesty's secret intelligence service beginning in 1917. Hoare arranged a secret slush fund to pay Mussolini £100 per week to produce propaganda encouraging Italy to stay in the war. The British had feared Italy would withdraw, collapsing the entire Southern front.

Mussolini had come onto the political radar in September 1911, when he was arrested for organising a blockage of troop movements to Tripoli, at the opening of Italy's colonisation of Libya. That year he also split his local Socialist branch from the national organisation and began referring to himself and his compatriots as a *fascio;* the word stemmed from an ancient Roman insignia of power, a bound bundle of sticks with a battle axe protruding, and here denoted a *grouping* of like-minded people. By December 1914, just months after World War I broke out, Mussolini was setting up *Fasci d'azione rivoluzionaria* (revolutionary action groups) and was soon regularly speaking of the "Fascist movement".

In December 1917 over 200 members of the parliament, including former Prime Minister Antonio Salandra, joined a fascist parliamentary union for national defence. Mussolini had just returned, in August, from nine months fighting in the trenches, where he was wounded. As the war came to an end the following year, he declared that a time had arrived in which "the whole earth shakes, … men disappear, systems crumble, institutions collapse"—language that, willy-nilly, echoed the dithyrambs of UK minister David Lloyd George and US President Woodrow Wilson about a "deluge" of change, "chaos", and a "typhoon" sweeping the planet (Part 2). And he began agitating for dictatorship.

By early 1919, dozens of *Fasci di combattimento* (armed returned soldiers leagues) had formed all over the country. In March Mussolini convened a meeting in Milan to establish a national organisation.

Local fascist groups grew, driven by the same worsening economic conditions as had touched off the boom in trade union and socialist activism. The cost of living in 1920 was four times that of 1913, with inflation fed by profiteers and speculators. During the 1920 labour strikes leading up to factory occupations, especially in the Po Valley where the industrial cities are located, the *Fasci* appeared as strike-breakers, using increasingly violent methods. Mussolini positioned himself as the only leader who could restore law and order.

In the May 1921 election 35 Fascists, including Mussolini, entered Parliament. They joined a coalition government headed by Liberal Union Prime Minister Giovanni Giolitti, who was keen to utilise the fascists to rein in the labour unrest. In November of that year, Mussolini officially established his Fascist Party.

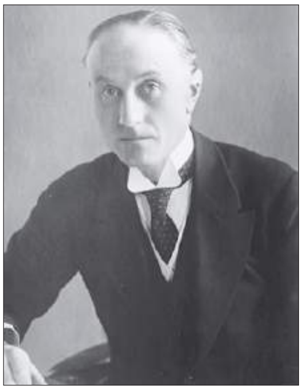
On 27-29 October 1922, local Fascist groups, which had a reputation for violence and routinely used rifles, machine-guns, clubs and whips against strikers, socialists, or Catholics, burning to the ground party headquarters, newspaper offices, clubs, union halls and cooperative stores, descended on Rome with plans for insurrection. They threatened to occupy government buildings and seize ministries; the previous night, in preparation for the coordinated action, local Fascist branches cut off electricity in major regional cities, seized police stations and surrounded train stations.

Some 26,000 men participated in this March on Rome—Mussolini would claim there were 300,000—facing off against 28,000 Italian troops.

Sir Samuel Hoare admitted that British money was used both to "form the Fascist Party and to finance the march on Rome", reports a recent book by Mario José Cereghino and Giovanni Fasanella.[2] Under Hoare's scheme to control Italy, which he dubbed "The Project", he had fostered Mussolini's "political and paramilitary movement". Hoare's codename for Mussolini was "The Count", and the British operative worked with powerful Italian freemasons to assure Mussolini's rise. Fasanella told the London *Times*, "Hoare had specialised in the use of violence and propaganda in Britain and he brought that method to Italy." Cereghino added,

1. Allen Douglas, "Italy's Black Prince: Terror War against the Nation-State", *EIR*, 4 Feb. 2005.

2. Claudio Celani, "Britain's role in creating fascism, yesterday and today", *AAS*, 25 Jan., reviews their *Nero di Londra* (*Black of London. From Caporetto to the March on Rome: How British Military Intelligence Created the Fascist Mussolini*) (Chiarelettere, 2022), based on examination of Hoare's personal archive, declassified in 2001.



British intelligence operative Sir Samuel Hoare ran "The Project" to bring Mussolini to power. Photo: Wikipedia

"Mussolini's career between 1917 and 1922 would not have taken the path we know, without the influence of the British … establishment."

UK archives show that British Ambassador to Italy Sir Ronald William Graham was in touch with Fascist leaders prior to the March on Rome. Graham cabled to London that one of his men was being "constantly" updated by the leaders of the march. Afterwards, Graham and Mussolini met; the ambassador reported back to London that he was impressed by the leader.

The Liberal Prime Minister Luigi Facta declared a state of emergency to disperse the fascists, but King Victor Emmanuel III refused to sign the order, evidently believing it would be better to have Mussolini on side. Facta resigned in humiliation. The King tried to persuade wartime Liberal Union PM Salandra (a self-described "honorary Fascist") to form a coalition government with Mussolini's faction, but Mussolini rejected this option. With Mussolini holding all the cards, the King invited him to form a government.

The *Black of London* authors report that before appointing Mussolini, the King sought assurances from the British representatives that the Italian Crown would not be endangered by the Fascists. While the fascists rallied, Mussolini's lieutenants (the *Quadrumviri*) waited at the Perugia estate of one of Hoare's lackeys, the British-Italian aristocrat Romeo Gallega-Stuart, for the outcome of the negotiations.

Just what the bankers ordered

Top British and American political figures continued to praise Mussolini, particularly his commitment to "righting" the financial order.

In 1919-22 the British had seen Italy's financial situation as untenable and feared a Russian-style socialist revolution. They had renewed loans to Italy in 1919, prior to Mussolini's rise, on condition that the money be directed to payment of outstanding debts to Britain. British Embassy official Sir Edward Capel-Cure had noted in April 1920 that the banks raising the loans had insisted that "the city of London would probably not entertain any proposal from Italy [for a loan] until the [public] subsidy was taken off bread, and other betterments of the finances began". He later railed against state control of railway, post and telegraph services, calling them "white elephants". Wage increases organised by trade unions had added to the problem, he said. British officials agreed that austerity was the only pathway out.

In March 1922 former PM (1919-20) Francesco Nitti of the Italian Radical Party (a centre-left group) spelled out in a speech an "unpleasant and inflexible" truth for the nation if it was to "restore the confidence of capitalists": it must "consume less and produce more". He called for the adoption of the "principles of recent English legislation" which included "austere and quiet behaviour".

In July 1922 Riccardo Bachi, an Italian liberal economist who had been an economic consultant at Versailles and was tasked with reporting back thereafter to the League of Nations on Italy's economic policy, filed a report on difficulties in applying the austerity dictates of the 1920 Brussels conference. Instability, he wrote, had impelled "the adoption in the political economy of the State during the years 1919-20—particularly in financial affairs—of principles which were contrary to the recommendations of the Brussels conference." Specifically, Italian governments were still intervening to stabilise food supply and prices, as during the war.

On 27 October 1922, as the March on Rome began, British Ambassador Graham suggested the "need of a strong government" to enforce austerity. Days later, he reported that the rise of Mussolini had "had a favourable effect on the Italian exchange". Shifts were in motion, Graham indicated, that would attract foreign capital to Italy.

Writing to Mussolini on 2 November 1922, Italy's Ambassador in London Giacomo De Martino reported that the City of London was ready to approve the Fascist experiment.

Economist Luigi Einaudi, the future President of Italy (1948-55) and at this time an advisor to Mussolini, wrote in the London *Economist* a few months later in favour of "an Italian Geddes Committee" (modelled on the 1921 British budget-axing body; Part 2). He noted that Finance Minister Alberto De Stefani was looking to the British Treasury's example of how to rein in expenditures. Amb. Graham praised De Stefani's training as "a theoretical economist" with a commitment to "balancing the budget and declining all temptations to inflate the currency".[3]

It was only under Fascism that austerity really clamped down. While Fascism built up control by the "*political* state", it favoured the "gradual demobilisation of the *economic* state", Mussolini had said before he came to power, railing that "every state-owned concern is an economic disaster".

In early 1920 he had declared that the state was a "Moloch" (a divinity demanding sacrifice of its worshippers' children) when it acted as "a banker, a lender, a gambling-house keeper, a seaman, a bandit, an insurer, a postman, a railway-worker, an impresario, an industrialist, a teacher, a tobacco shop-owner, a judge, a gaoler and a taxman". Just over a year later, he would make an adjustment to this position, telling Parliament that the state should run the police, judiciary, army and foreign policy, after all, but everything else "must go back to the private activity of individuals". He told an audience in Rome later in 1921 that "as far as economics is concerned, we are liberals, because we believe that the national economy cannot be usefully entrusted to collective or governmental and bureaucratic organisations". State spending on rail, post and insurance, he said, "wastes the money of all Italian taxpayers and worsens the exhausted finances of the Italian State." One of his first actions as prime minister, therefore, was to privatise state-run sectors of the national economy (Part 5).

Mussolini would leave economic policy-making largely to the experts, but those experts were either part of, or advised by, members of the Venetian network described above, or dedicated acolytes of British Treasury/Bank of England austerity programs (Part 2).

Next week: Fascist economics opens new era of governance

3. Citations from Clara Mattei, *The Capital Order: How Economists Invented Austerity and Paved the Way to Fascism* (U. of Chicago Press, 2022).

The genesis of austerity (Part 5)

Italy: Fascist economics opens new era of governance

By Elisa Barwick

In the tumult of the economic crisis after World War I, the world's banking and political elite unleashed dictatorial control to prevent any government from acting for the public good. Austerity, whether implemented by a fascist dictator or a board of technocrats at a central bank, was designed to save the economic system at the people's expense. The alternative would soon be demonstrated in the USA under the leadership of Franklin D. Roosevelt. (Parts 1-4 of this series are online.)

The Fascist economic platform

Mussolini and the Fascist movement changed their economic policy posture after faring disastrously in the November 1919 election. The party's election manifesto had somewhat catered to working people's concerns, advocating an eight-hour working day and minimum wage. Now, to attract middle-class support, the Fascists' platform was rewritten to favour the private sector. Privatisation of infrastructure and public utilities and the abolition of state monopolies instituted by recent governments took centre stage.

Mussolini declared his movement was "not republican, not socialist, not democratic, not conservative, not nationalist", but would unite citizens in a "synthesis" of all positions. In his New Year's message for 1920, he stated his determination to crush the socialists, who were prominent in ongoing labour unrest (Part 4). Mussolini emphasised "a return to the individual", words which stirred "agrarian fascists"—often led by the sons of big landowners—who feared the rise of the poor, and violently attacked socialists.

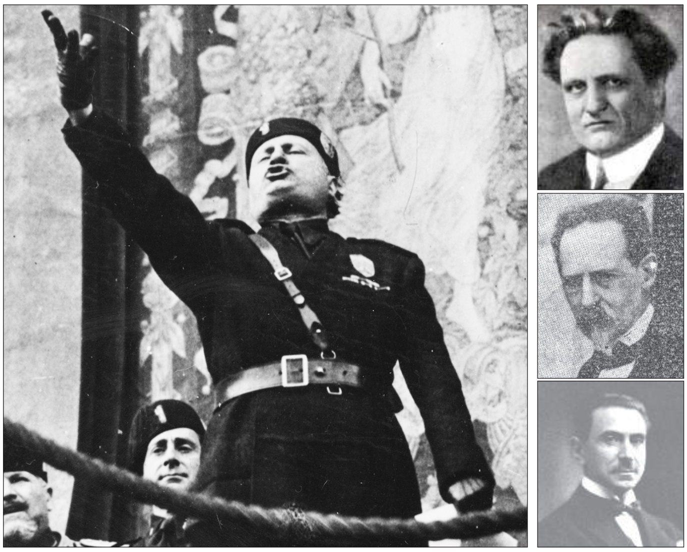
As strikes and factory occupations exploded in September 1920, with some half-million people protesting layoffs and demanding wage hikes, Mussolini compared them with Russian Bolshevism and promised to put them down, saying, "a million sheep will always be dispersed by the roar of one lion". He warmed the hearts of big industrialists by saying Italy must end the disruption in order to "produce"; but clearly the purpose would be private profit, not the general welfare.

This was the backdrop for the development of the Fascist economic policy, which would fully reflect the British Treasury agenda planted at the Brussels and, later, Genoa financial conferences (Part 2).

In his first parliamentary speech after taking power, on 19 November 1922 Mussolini laid out the bones of his policy: "The directives of domestic policies are epitomised by these words: thrift, labour, discipline. The financial problem is crucial: the budget has to be balanced as soon as possible. *Austerity regime*: spending intelligently, helping national productive forces, ending all war controls and State interferences."

Legislation passed 3 December 1922 gave the new government "full powers" to reorganise the public sector and reduce spending. The government could "act as if the budgets had been regularly discussed and voted by Parliament", economist Luigi Einaudi wrote in the London *Economist*; "never was such absolute power entrusted by a Parliament to the Executive". The government could reform or suppress services, or transfer them "to private hands".

In early 1923 Mussolini ordered Parliament that the budget be balanced "at any cost". Within the first year, state expenditure was cut by one-third. By the end of fiscal year 1925, the budget was balanced, by following the Brussels/Genoa prescriptions: regressive taxation, wage deflation, junking of social reforms, savage cuts to public and social sector expenditure, slashing of veteran and family payments and pensions, cutting public works, and public service layoffs. Over 65,000 public servants were fired, postal and railway services were brutally pruned, and commissions assuring fair prices and rent control were abolished. The rail administration laid off 15 per cent of its employees (27,000 workers were axed in 1923-24); instituted regressive fare increases (15 per cent for third class, 6 per cent for second class, no increase for first class!); and reduced investment in rail maintenance.[1] Post-war unemployment, old age and disability insurance was wound back; the Ministry for Labour and Social Insurance was shut down.



Mussolini (l.); three liberal professors who developed Fascist economic policy: Alberto De Stefani, Maffeo Pantaleoni, Umberto Ricci. Photos: Library of Congress; Wikipedia

A massive privatisation of public services and state monopolies was conducted in 1922-25, in "the earliest case of a large-scale privatisation in a capitalist economy".[2] Royal decrees abolished state monopolies on the sale of matches and life insurance, and privatised the state-owned telephone network, the state machinery firm Ansaldo (boat, plane and train manufacturer), and motorway building and management.

As with so-called "competition policy" today, these measures hardly conformed to "free market" ideals, but they did facilitate private profiteering. Match sales were handed to the existing cartel of producers, from which new factories were barred.

1. Figures from Clara Mattei, *The Guardians of Capitalism: International Consensus and Fascist Technocratic Implementation of Austerity* (LEM Paper Series, Sant'Anna School of Advanced Studies, 2015).
2. Germa Bel (professor of economics, University of Barcelona), "The First Privatisation: Selling SOEs and Privatisation of Public Monopolies in Fascist Italy (1922-1925)", *Cambridge Journal of Economics*, 2011.

An early Italian toll road. Photo: MuseoTorino

After privatisation, insurance was controlled by an oligopoly of the two biggest companies, which had pushed for its removal from government control. Private regional monopolies took over the telephone network, which was carved up and segmented. The concessions granted to private companies to build, manage and tax motorways were the first preview of today's public-private partnerships. Italian firms received public "concessions", meaning that the state guaranteed a bond issue, provided an annual subsidy to a private company to build roads, and the company then charged tolls—the world's first toll road in the automobile era. (Next time you shell out to drive in and around Sydney, thank Mussolini for pioneering the private toll road model!) Even though private firms put up only a fraction of the capital, road traffic was rarely enough to cover costs, and most roads were nationalised in the 1930s, at public expense.

Financial crisis and dictatorship

Mussolini and his fellow Fascist MPs had entered government in 1921 in coalition with the Liberal Union, which espoused liberal economic policies. The 1920 revised Fascist program was virtually identical to liberal economic dogma, including the return of power to private enterprise; emphasis on private initiative; an end to subsidies; and budget-slashing. Mussolini began to attract the support of prominent liberal economists like Einaudi, a friend of Austrian School leader Ludwig von Mises (Part 3). Journalist, professor of "financial science" at the University of Turin, a senator since 1919, and a future President of Italy after World War II, Einaudi at this point was an enthusiast for the Fascist Party program, calling it, in *Corriere della Sera*, a "decidedly liberal economic program".

Alberto Bergamini, editor of *Giornale d'Italia*, would write in February 1923, "The principles that inspire the two parties [Fascism and the Liberal Party (*Partito Liberale Italiano*—PLI), formed October 1922] are identical, and we liberals can claim the honour of having been, so to say, pre-Fascists when it was fashionable to be democrats." Philosopher and MP Giovanni Gentile, who would go on to co-write Mussolini's Fascist manifesto, resigned from the PLI, writing to Mussolini that the Fascist Party now represented the liberal tradition. PLI Secretary Alberto Giovannini, former PM Salandra, and most other Liberals joined Mussolini's *listone*—the "big list" of Fascist-endorsed candidates for the April 1924 election.

In line with the British establishment's sponsorship of Mussolini's rise to power through "The Project" of British intelligence's Sir Samuel Hoare (Part 4), the London *Times* of 6 October 1924 welcomed the overlap between Liberalism and Fascism.

Mussolini was constrained, however, by the coalition government format. At the April 1924 election, punctuated by the increasing violence of Mussolini's Blackshirts, the Fascist Party won a majority. It was the last democratic election under his rule. Socialist parliamentarian Giacomo Matteotti, amid cries of "Go back to Russia!", demanded the election "be declared void". Eleven days later, Matteotti was assassinated by a Fascist squad in the middle of the day on his way to Parliament.

This was the moment Fascism might have been stopped. Mussolini's support network of respectable industrialists, Liberals, nationalists and businessmen began to fall apart. On the other side, regional Fascist leaders agitated for stronger action from the leader. Amid accusations that Mussolini himself was behind Matteotti's murder and rumours that the King would remove him or the military would stage a coup, opposition parties formed an anti-Fascist coalition called the Aventine Secession movement. One hundred fifty MPs from this group left the chamber in June 1924 in protest against Mussolini's rule. But there was no leadership to rally these forces with a "distinctive program".[3] Mussolini escalated. He rose in Parliament on 3 January 1925 to declare himself Fascist dictator of Italy. Opposition politicians and journalists were rounded up and jailed, and opposition parties and trade unions outlawed.

Later that year Mussolini declared, "We have buried the old liberal-democratic state.… We control the political forces, we control the moral forces, we control the economic forces. We are then in a full Fascist-corporatist state…. [N]othing outside the state and no-one against the state". The austerity imperative, too, strangled opposition: Clara Mattei notes that "many respectable sections of the Italian establishment accepted the violent and murderous nature of the Fascist movement in the name of economic stabilisation and financial rigour."

Despite the aggressive budget-cutting, a financial crisis was brewing. As in Austria (Part 3), financial reforms abolishing bank regulation and scrapping taxes on financial activity had encouraged a speculative bubble. To deal with this crisis and industrial discord, Count Giuseppe Volpi of the Venetian group of financier aristocrats (Part 4) was brought in as finance minister in July 1925. He had assisted the British organisers of the League of Nations Financial Committee (Part 1), and had ties throughout Italian business and industry, having served on the boards of 46 companies.

In November 1925 Volpi travelled to the USA, where Treasury Secretary Andrew Mellon agreed to write off some 80 per cent of Italy's war debt, followed later by a US$100 million loan from J.P. Morgan. In January 1926 Volpi secured a similar deal with Chancellor Winston Churchill in London. Central bank independence, increasingly a precondition for securing new loans, was assured by Alberto Beneduce, another architect of Mussolini's financial and industrial policy; he led the campaign for the Bank of Italy's independence—in reality, subservience to the City of London banking machine—which, in turn, was a precondition for Italy's inclusion in the London-coordinated gold standard.[4]

Volpi also had to deal with a collapse of the lira, Italy's currency. Mussolini demanded national sacrifice to save the lira, with more austerity and monetary tightening. Volpi told Parliament in December 1926: "If the national government defends the lira, it is doing so in the interest of the savers", meaning those wealthy enough to save and invest. One year later Mussolini declared he had pegged the lira to the British pound at the exchange rate required for a return to the prewar gold standard (Part 2). Keeping the lira on gold would require "iron discipline", said Volpi, with ongoing restrictions of government spending and wages. In 1927 a new, 20 per cent wage cut was exacted.

Many of the Liberals who had allied with Mussolini departed the government. Mussolini himself took on the role of prime minister as well as minister of foreign affairs, war, the interior, the navy, aviation, and, later, corporations,

3. Franklin Hugh Adler, *Italian Industrialists from Liberalism to Fascism* (Cambridge U. Press, 1995).

4. Claudio Celani, "Britain's role in creating fascism, yesterday and today", *AAS*, 25 Jan., reviews Mimmo Franzinelli, Marco Magnani, *Alberto Beneduce: Il Finanziere di Mussolini* (Mondadori, 2009), which relates the crucial role of this professor of statistics, radical socialist, freemason, and friend of Volpi in bringing Fascist Italy's central bank and currency policy into line with British standards.

colonies and public works.[5] Beginning in April 1926, new legislation rolled out the “corporative state”, instituting direct and full control over the economy *by* the state, but *for* private interests. In December 1928 Mussolini convened the Grand Council of Fascism as his new cabinet, bypassing Parliament.

The British ‘Italian School’: phony ‘pure economics’

As we have seen, the Fascist economic platform was modelled on British liberal economics—deregulation, minimal government subsidies or concessions in the public interest, and maximum gains for private interests—since at least 1920. A small group of economists, in line with the notion that economic policy should be left to “experts”, consolidated this model during Mussolini’s first three years in power, 1922-25, following the British Brussels/Genoa script.

Alberto De Stefani (1879-1969) was Mussolini’s Minister of Finance in 1922-25. He had been a professor of political economy at the Higher School of Commerce in Venice, a university founded in 1868 by Luigi Luzzatti, a Venetian financier and politician known for his decades-long advocacy of a world central bank to control the world’s and national economies and of a supranational “one Europe” (Luzzatti would serve as PM and as Minister of the Treasury, and take part in the 1922 Genoa conference). De Stefani was elected to the Senate on the Fascist slate in 1921 and, after his dismissal as finance minister in favour of Volpi, remained on Mussolini’s Grand Council of Fascism until the regime collapsed in World War II.

Maffeo Pantaleoni (1857-1924) was invited by his former student De Stefani to help formulate policy, and headed the Commission for the Revision of Balances and Reduction of Public Expenditure. He had already served as finance minister in Gabriele D’Annunzio’s 1919-20 experiment of a fascist state in Fiume (Part 4). Pantaleoni was the Italian representative of the Financial Commission of the League of Nations at the 1920 Brussels conference and later a delegate to the League of Nations. Formerly in the Italian Radical Party (“leftist”, civil liberties-oriented), he was named by Mussolini for election to the Senate in 1923.

Umberto Ricci (1879-1946), another liberal economics professor who had studied under Pantaleoni, became an aide to De Stefani and a Commission colleague of Pantaleoni, until severing his involvement in 1925 when dictatorship was declared (his criticism of Fascism was that it had breached free market rules).

The British press fawned over these men. The London *Times* of 2 July 1923 said that De Stefani “reminds one strongly of an Oxford don”, and his department was thoroughly “soaked in the English economists” and committed “to apprehend and copy the British system of public finance.” The *Economist* that year appreciated De Stefani’s “great stress on the efficacy of the British Treasury in checking expenses”. Both publications credited De Stefani’s “courage to brave unpopularity” to his training in Pantaleoni’s economics.[6]

Pantaleoni had developed a doctrine, set forth in his 1898 book *Pure Economics*, which purported to present economics as an *objective science*, akin to physics or mathematics. Cloaking brutal austerity for the population as a necessity based on supposedly scientific laws, it drew praise from the London *Times* as being “modelled on the British system”. Indeed, Pantaleoni was a follower of Jeremy Bentham, philosopher and intelligence coordinator for the British Empire under PM and British East India Company operative Lord Shelburne (Part 1). His “pure economics” centred on the *hedonistic principle* (pursuit of pleasure), which Bentham had measured in his “felicific calculus”—judging an action by the quantity of pleasure it produces, as against pain. The assumption is that people act only out of self-interest as a beast does, driven by hedonistic impulses. Following Bentham’s notion of “two sovereign masters, pain and pleasure”, Pantaleoni in his book defined economic science as “the laws of wealth systematically deduced from the hypothesis that men are actuated exclusively by the desire to realise the fullest possible satisfaction of their wants, with the least possible individual sacrifice.”

Mussolini featured on the cover of *Time* Magazine eight times.

Two related British doctrines are also associated with Pantaleoni. His work advanced the school of Marginalism in economics, promoting the standard of “marginal utility”—the quantity of satisfaction someone receives from one increment of consumption. And he proclaimed, “I am a Darwinist”, meaning Social Darwinism in economics—“survival of the fittest” for people. Lecturing at the English Institute of Bankers, De Stefani insisted that principles of sound finance must be followed, or “the people are inexorably forced to pay the penalty for disobeying them”.

For these economists, economics was a zero-sum game in which taking the public interest into account would crowd out the private sector: “[T]he public body is a competitor of the private entrepreneur in the use of currency and of national wealth. The miracle of the multiplication of bread and fish has been done only once”, De Stefani would write in *Corriere della Sera* in 1928.[7] In a memo for the 1920 Brussels conference, Pantaleoni argued that continuing war-time government economic interventions, like subsidies for wages, would destroy capitalism because “The working classes basically don’t save and spend everything in pleasures”. Government should return to its proper mission, he said, “which is to furnish the general conditions for unfettered private activity”.

“Pure economics”, put into practice in the austerity regime under Mussolini, touted governance by “independent” technocrats and central bankers. Already at Brussels, however, Pantaleoni had anticipated that governments were unlikely to “stop their interference”, because subsidies and regulation were supported by the public.

After Mussolini took power, the liberal economists concurred on the need for a strongman. Einaudi wrote in 1923 that post-war social reforms were “squandering the public revenue” and quoted Mussolini on Italy’s needing “at the helm a man capable of saying no to all requests of new expenditure.” Much of the population so distrusted Parliament, said Einaudi, that they cheered when its powers were suspended in 1922 in favour of dictatorial “full powers” for the government; they “would accept a Czar for the sake of getting out of chaos.”

The liberal economists-turned-enthusiasts for Fascism pushed sacrifice, abstinence and frugality for the majority, as practically a religious doctrine. Ricci urged Italians to “devote ourselves to an austere existence of fatigue and savings”,

5. R.J.B. Bosworth, Mussolini (Bloomsbury Academic, 2002).
6. Clara Mattei, *The Capital Order: How Economists Invented Austerity and Paved the Way to Fascism* (U. of Chicago Press, 2022).

7. Cited from Mattei, *The Capital Order*.

declaring abstinence (forgoing present pleasure to obtain a future one) a critical element of economic theory. De Stefani called for "the conscious renunciation of the rights gained by the crippled, the invalids, the soldiers. These renunciations constitute for our soul a sacred sacrifice: austerity."

The corporative state

American author James Fenimore Cooper's description of the notorious police state of the Republic of Venice, in his 1831 novel *The Bravo*, well fits the Fascist system of governance: the "substitution of a soulless corporation for an elective representation, ... in which a system of rule has … been established, that sets at naught the laws of natural justice and the rights of the citizen".

The corporative state took Fascist economic policy to a new level, embedding the austerity doctrine in a top-down system of control over decision-making and dispute-resolution for all business, industry, and other sectors of the economy. The 1932 article "Doctrine of Fascism", co-authored by Mussolini and Giovanni Gentile (author of Mussolini's 1925 manifesto *What Is Fascism?*), repudiated pacifism, glorified war and the sacrifice of life, and denied the concept of public "'economic' happiness". It defined Fascism as a merger of state and corporative power that inextricably links each citizen to the "conscious", "living organism" of the Fascist state. Venetian banker Giuseppe Volpi, a mastermind of the corporative state as both minister of finance (1925-28), president of the General Confederation of Italian Industry (*Confindustria*) and *ex officio* member of the Grand Council of Fascism, 1934-43, proclaimed in a 1937 speech how the corporations "gave final shape to the Fascist Revolution in the economic field": they enshrined a "corporative mentality … essential to make regulations effective".

At the foundation of the corporative state were "corporations" (*corporazioni*, meaning associations or guilds), supposedly representative bodies for each branch of industry. Their introduction was advanced by a 1926 law giving Fascist syndicates (trade unions) a monopoly over worker representation. Non-Fascist (e.g. socialist and Catholic) unions were taken over by the state or the syndicates, or disbanded. Minister of Justice (1925-32) Alfredo Rocco, a theorist of Fascist syndicalism, declared that "the small- and medium-sized firms are destined to disappear and give way to large industrial enterprises"—cartellisation.

Though claiming to empower all levels of industry, from workers to management and company owners, in reality the corporations exerted top-down state control over workplaces and industries. In the initiating resolution, Mussolini defined the corporation as "the instrument which under the aegis of the State disciplines the productive forces". Workers were ordered to join the corporative bodies; strikes, lockouts and demonstrations were banned. There was no recourse against reduced conditions and wages, apart from appealing to a labour court via a Fascist union. The Confederation of Fascist Corporations enforced "industrial peace", which included a 26 per cent wage drop within three years, by 1929.

Control of the labour force was consolidated with the 1927 Labour Charter (*Carta del Lavoro*), which handed all prerogatives in industry to its owners, who were to do the bidding of the state; workers' status was reduced to that of "collaborator" with the employers, with no guaranteed rights or wages. A National Council of Corporations was established, its members nominated by the Grand Council and by the 13 fascist syndicates (of "firm Fascist faith", i.e. *not representative of the population*). The lower house of parliament would be replaced in 1939 with the Chamber of Fasces and Corporations, comprising members of the corporations.

Confindustria, the employers' association founded in 1910, came under Fascist control, with Volpi its head. Minister of the National Economy (1925-28) Giuseppe Belluzzo declared: "It is the confederations and not the state who control the national economic system, and who have created a state within a state to serve private interests which are not always in harmony with the general interests of the nation."

During these years, American historian Carroll Quigley wrote in *Tragedy and Hope* that the City of London was pushing for a "single financial system on an international scale which manipulated the quantity and flow of money so that they were able to influence, if not control, governments on one side and industries on the other". The corporative approach bridged that divide, serving as a model for global direction of puppet states in the interests of private powers. This Venetian model of financier control over all aspects of the economy was supposed to prevent a Lincoln-style industrial revolution that would encourage equitable growth, but America was about to challenge that status quo again.

FDR poses the alternative

The first truth is that the liberty of a democracy is not safe if the people tolerate the growth of private power to a point where it becomes stronger than their democratic state itself. That, in its essence, is Fascism—ownership of Government by an individual, by a group, or by any other controlling private power.

Franklin D. Roosevelt, 29 April 1938

Message to Congress on Curbing Monopolies

In this address, US President Roosevelt condemned "interlocking spheres of influence over channels of investments" afforded by the banking system. "Private enterprise is ceasing to be free enterprise", he said, "and is becoming a cluster of private collectivisms: masking itself as a system of free enterprise after the American model, it is in fact becoming a concealed cartel system after the European model." He meant the post-World War I model, described in this series so far.[8]

FDR largely blamed this shift, leading to a loss of small business and genuine competition, on the banking system. He demanded regulation of financial institutions, insisting that the "power of a few", wielded over the economy, be "diffused among the many". His economic programs, such as the New Deal, went a long way to correcting this problem. FDR pushed the same policy for developing nations, bringing him into direct conflict with the City of London-centred financier power behind Mussolini.[9] In the next instalment we examine two new tentacles of that nexus—the Bank for International Settlements and the Mont Pelerin Society—which would shape the world for decades to come.

Next – Shaping the future: The financial superstate

8. Claudio Celani (Note 4) refutes the belief of some historians and many populists that FDR's economic policy was close to Mussolini's because of its active role for the state in the economy. The policy goals were radically different.

9. "Franklin Roosevelt's economic development policies vs the Anglo-American financial empire", *AAS*, 18 May 2022.

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The genesis of austerity (Part 6)

The rise of the BIS financial dictatorship

By Elisa Barwick

"...the powers of financial capitalism had another far-reaching aim, nothing less than to create a world system of financial control in private hands able to dominate the political system of each country and the economy of the world as a whole. This system was to be controlled in a feudalist fashion by the central banks of the world acting in concert, by secret agreements arrived at in frequent private meetings and conferences. The apex of the system was to be the Bank for International Settlements in Basel, Switzerland, a private bank owned and controlled by the world's central banks which were themselves private corporations. Each central bank, in the hands of men like Montagu Norman of the Bank of England, Benjamin Strong of the New York Federal Reserve Bank, Charles Rist of the Bank of France, and Hjalmar Schacht of the Reichsbank, sought to dominate its government by its ability to control Treasury loans, to manipulate foreign exchanges, to influence the level of economic activity in the country, and to influence cooperative politicians by subsequent economic rewards in the business world."

–Carrol Quigley, Tragedy and Hope: A History of the World in Our Time *(New York: Macmillan, 1966)*

That supranational bank with dictatorial financial powers, the Bank for International Settlements (BIS) cited by historian Quigley, was imposed in the period between World Wars I and II on nations that had been pummelled by British-instigated wars, economic austerity or brutal dictators. The organisers of the BIS were the same international financier circles who created the twin policies of austerity—strict reduction of the population's consumption and of governments' right to spend money or create credit in the national and popular interest—and fascism, the latter serving as a dictatorial regime to police the former. (Those projects are the subject of Parts 1-5 of this series, published in the Almanacs of 8, 15, 22 Feb. and 22, 29 Mar.; hyperlinks to each instalment are provided, in context, within this article.)

The BIS still exists and is the creator and policer of austerity policies that come down upon populations in countries participating in its system, including the abuses currently suffered by Australians at the hands of the "Big Four" banks here.

Established in 1930, the BIS was a central bankers' bank, created to determine the economic policy of nations, *free from the interference of their elected governments*. This would occur via an initial European network of independent central banks, planned by Bank of England Governor Montagu Norman, which was taking shape at the end of World War I (WWI).

The steps leading to its establishment commenced immediately after the war. The Allied war powers, guided by bankers who shaped the economic terms of the Treaty of Versailles which ended the war, demanded brutal measures to make Germany pay war-guilt "reparations". To enforce collection, a Supreme Economic Council was created at the fledgling League of Nations (also an outcome of Versailles), as a vehicle to enforce new economic policy "norms", including to stop inflation allegedly caused by wartime spending and higher levels of employment. But, as described in Part 1 of this series, the real aim of the bankers was to block the national direction of credit and industry, which had been adopted by some nations to provide the economic necessities of war. For the British, such practices raised fears of a return to the "American System" of national economy which had been adopted after the defeat of the British Empire in the US Revolutionary War and had spread to Eurasia in the late 19th century.

The Supreme Economic Council was populated by the British bankers and economists who had overseen the international control of resources, industrial production, trade and shipping for the Allied cause. Those same bankers ran a pilot program for economic austerity policies in the UK immediately after the war (Part 2), and organised two international conferences (at Brussels, Belgium in 1920 and Genoa, Italy in 1922) that laid out a new "financial code" of austerity. Montagu Norman personally oversaw a complete overhaul of finance in war-torn and bankrupt Austria, as the first overseas test-tube for the new policy; it outsourced Austria's economic decision-making to a League of Nation commission. Austria's elected leaders forfeited control of economic policy (Part 3).

Enforcer of austerity

The austerity code dictated belt-tightening on three fronts—fiscal, monetary, and industrial. This meant drastically reducing government spending; restriction of new credit by raising interest rates; and vicious slashing of wages and working conditions. Ultimately, it came down to reducing the standard of living of the majority of the population to balance financial accounts and attain "financial stability", a code term for protecting the system. The job of the BIS was to enforce these goals, with a surveillance role, keeping statistics on nations, indoctrinating central bankers, and writing the regulations that constrained the actions of national governments.

The BIS today is still dictating austerity to nations across the world, via central banks, in the name of financial stability, and still at the expense of the people. Governor of the Reserve Bank of Australia Philip Lowe's interest rate rises, forcing Australian mortgage holders into destitution, are informed by frequent communications with, and regular excursions to, BIS headquarters. A career central banker, Lowe spent two years at the BIS in Switzerland as head of the Financial Institutions and Infrastructure Division working on financial stability issues (2000-02), is a member of the Steering Committee of the BIS-housed Financial Stability Board (FSB), and currently chairs the BIS Committee on the Global Financial System. The bank hosts a sprawling, intersecting network of outfits across the globe. The FSB, the Basel Committee on banking supervision, and the Committee on the Global Financial System coordinate the regulatory regimes of member nations, imposing rules that were defined in the inter- and post-war period to protect British financial dominance. Today the agency proposes to steal the savings of households with its post-2008 "bail-in" policy to prop up its collapsing financial order[1].

As this series has shown, however, the austerity program was never successful in reducing debt, nor in stabilising the economy. It led to soaring unemployment, crushed real economic growth while fostering financial speculation, and drove political instability, contributing to the rise of fascism. Nonetheless, as with International Monetary Fund conditionalities today, in both post-WWI Austria and Italy, the other test-tube state, implementing austerity was a prerequisite for nations to secure new loans from British and American banks.

The bankers welcomed fascism for its success in enforcing austerity. The case of Italy makes this crystal clear: As shown in Parts 4 and 5, Italian dictator Benito Mussolini was ushered into power by British intelligence to enable brutal austerity. Italy was praised for achieving financial stability, even as the population was terrorised. By the late 1930s, Mussolini had introduced the "corporative" state, which handed control of government to private interests. Whether nations had elected governments or not, the authors of the austerity doctrine intended such control to be imposed everywhere, under a new global financial order wherein nations would sign over the determination of policy to an external, unelected, privately owned agency. US President Franklin Roosevelt, from across the Atlantic, would fight this threat tooth and nail, as would leaders of the "old" Labor Party in Australia.

Australian leaders rejected the austerity ordered in 1930 by the visiting Sir Otto Niemeyer, a Bank of England heavyweight who had designed the European pilot programs and would hold top jobs at the BIS in 1931-46. Premier of New South Wales (1925-32) Jack Lang captured the essence of the fight in his 1962 book, *The Great Bust*. As leader of the NSW Labor Party from 1923 until 1939, Lang had led the charge against the British plan which was crushing Australian households. He noted that WWI had given rise to national banks in opposition to private financier-controlled central banks. The City of London, concerned about such developments, not only in Australia but in Canada, Africa and other Dominions, needed "to find ways and means of re-establishing the financial supremacy that had been lost during the war". Therefore, "Some formula had to be devised which would enable such local institutions as the Commonwealth Bank of Australia to be drawn into the City of London's net", wrote Lang. "The financial experts studied the problem deeply. Out of their deliberations emerged the plan to centralise the control of all banking throughout the Empire by channelling it directly into the supervision of the Bank of England. ...

"The Bank of England was to become the super Bankers' Bank. The Commonwealth Bank of Australia was to be responsible for the local administration of Bank of England policy. It was to be the junior Bankers' Bank." All credit would be at the mercy of the BoE which controlled the tap, explained Lang, who had closely followed proceedings at the 1922 Genoa economic conference (Part 2).

"It was even decided to aim at a World Bank, to be run by the League of Nations, which would direct the credit of the world", he continued, and "determine the economic policy of the world. The bankers were to be the supreme rulers. Naturally, the Governor of the Bank of England expected to be at the apex of the system." With such control over banking, "there should be no impediment in the way of controlling the Government of the country as well", wrote Lang.

Norman's dream becomes reality

Creation of the BIS began with attempts during the late 1920s international financial crisis to rescue the German reparations schedule—run by the Anglo-American banking giant JP Morgan & Co.—and with it the struggling post-war order. Led by Norman, the "lords of finance" pushed to transform the League of Nations Financial Committee into a bank that would take control of reparations payments. Ultimately the bank was established separately, but the League's Austrian experiment, which outsourced economic policy to agencies external to elected government, formed a critical precedent.

Since the beginning of the century, when Venetian financier and Italian Treasury Minister (later PM) Luigi Luzzatti started campaigning for the idea, key international bankers believed that the creation of a new bank, "independent" of any individual nation and ostensibly of politics, would sidestep countries' concerns about external interference in their affairs. The League's Jean Monnet (French financier) and British Treasury officials Basil Blackett and Frank H. Nixon worried that, unlike countries ravaged by British debt commissions (set up in the previous century to gouge debt payments out of colonies and weak entities like the Ottoman Empire, often at the cost of thousands of lives), some European countries would not accept orders from British bankers. Nixon told British economist John Maynard Keynes in early 1922 that "some kind of screen is necessary ... to make this control acceptable". That screen would be the BIS.

Germany had been printing money to sustain itself, with hyperinflation exploding by late 1923. A banker by the name of Hjalmar Schacht was given near-dictatorial powers to stabilise the German economy, a full decade before Hitler took power and Schacht became his Economics Minister. Within a month of commencing his role as currency commissioner of the Reich, Schacht was promoted to president of the German central bank, the Reichsbank. That same month he travelled to London to meet Norman, who became his close friend; within a few weeks Schacht "had virtually become Germany's economic dictator", wrote his biographer, John Weitz.

Schacht's rise coincided with the 1924 reorganisation of German reparations under the Dawes Plan which applied the British/League austerity model, designed for Austria, to squeeze profits out of the country. (The Dawes Plan is detailed in Parts 1 and 3.) But the 1929 stock market crash interrupted the Dawes schedule. The epicentre of the crash was Wall Street, but the initial shock that evaporated confidence occurred in London[2] and the storm would soon circle back to Europe with the 1931 collapse of Austria's Creditanstalt bank.

Austerity policy was crushing Germany. Chancellor Heinrich Bruning mimicked Mussolini, using decree powers to force through vicious budget cuts. The situation worsened after a February 1929 new round of reparations negotiations resulted in the Young Plan, named after American industrialist Owen D. Young, who had co-authored the Dawes Plan. J.P. Morgan Jr and his partner Thomas Lamont participated in producing the new plan, which included the commercialisation of reparations payments—bringing private banks

1. See the ACP's "Stop 'Bail-in'" page, citizensparty.org.au/stop-bail-in

2. In September 1929 Britain's Hatry group collapsed. Clarence Hatry, the company's principal, had committed fraud with double issues of stock certificates, while attempting to conclude a merger with United Steel Companies.

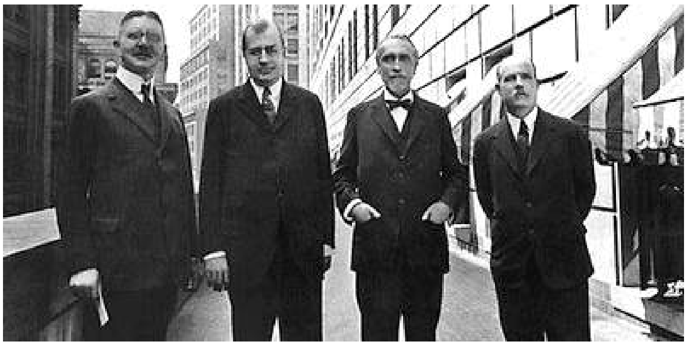
in on the profiteering—all overseen by Morgan. The authors of the Young Plan demanded a depoliticised international bank made up of central bankers, to administer the scheme.

British, American, French and German central bank heads had already had their first, informal, summit in New York in mid-1927, initiating a forum that would be formalised with creation of the BIS. Schacht (working with Young) and Norman now shepherded consensus towards the institution of the bank. When agreement on the Young Plan was reached in June 1929, the bank was included. Norman deployed Walter Layton, the editor of the London *Economist* who had been Winston Churchill's deputy in the WWI munitions ministry, to draft a constitution "that would place the bank beyond the reach of governments", in Layton's words. But the plan met with opposition. British Labour Prime Minister Ramsay MacDonald, elected that same month, resisted the austerity policy, which the major bankers were still pushing as the great solution even though the deflation of the early 1930s posed a greater danger of economic collapse than inflation did. Austerity required the "negation of everything that the Labour Party stood for", said MacDonald. With increasing talk about a new international bank to coordinate policy, Chancellor Philip Snowden expressed concern about the rise of a new "financial autocracy" outside government control.

As the bank itself has admitted[3], the BIS fulfilled the Norman plan for international control of banking, agreed at Genoa[4], despite its nominal purpose being to facilitate reparations and perform the functions of an international clearing house. Norman had made his plan explicit in a 1921 manifesto for central bankers, demanding coordination between central banks that were independent of national governments, including the "confidential interchange of information and opinion". His proposals would later show up in the 1935 BIS guidelines. In 1925 he explicitly called for "a private and eclectic Central Banks' 'Club'". This meshed with the vision of the aforementioned Luigi Luzzatti, for international central bank cooperation. Acknowledged as a key instigator of the BIS, Luzzatti was a front man for the powerful Venetian families that assisted Mussolini's rise (Parts 4 and 5). He insisted from the early 1900s that traditional politics would get in the way of effective economic policy. Mussolini advisor Alberto Beneduce, who kept in close contact with Norman, joined the BIS Organisation Committee to fight for absolute BIS autonomy in its foundation documents. He worked closely in this aim with fellow committee member Pierre Quesnay, a French economist from the League's Financial Committee, who had worked on the Austria project and became the first general manager of the BIS.

At a series of international financial conferences, these men drafted and agreed upon a charter for the BIS. The founding documents were ratified through a convention (an intergovernmental agreement or treaty) signed by the governments involved[5] at a January 1930 conference at The Hague in the Netherlands.

The BIS is the consummate public-private partnership, the very embodiment of fascism—which FDR described as "ownership of Government by [a] ... controlling private



Four central bankers, dubbed the Lords of Finance, at their 1927 New York meeting: Hjalmar Schacht, Benjamin Strong, Montagu Norman and Charles Rist.

power"—on a global scale. It combines the privileges of government with private power: The bank is protected by international treaty signed by elected governments, but is controlled by the independent central banks of those nations, whose members are not elected. Governments cannot change its statutes; this may occur only by consent of member central banks. The bank has no legal powers of enforcement in any nation, yet as a private, commercial operation it dictates rules to central and commercial banks, and increasingly to governments themselves. It is manned by representatives of nations, but *not* those holding elected office. Unlike any other private outfit, its charter provides extensive diplomatic and legal immunities for its staff, property and assets; it is exempt from taxation. As its first head, American banker Gates McGarrah wrote, "The bank is completely removed from any governmental or political control. … Governments have no connection with it nor with its administration." Upon its inception, central bankers would visit BIS headquarters for marching orders every month. A high priesthood of unelected global policymakers had been installed.

The BIS and the Nazis

The financial breakdown gathered pace and in May 1931, amid a frenzied financial environment created by League loans to Austria that were channelled into speculation (Part 3), the major Austrian bank Creditanstalt collapsed. Contagion spread to Germany's second-largest bank, Danat-Bank, which collapsed in July. Money fled the country and Germany, wracked by Bruning's austerity and with large debts and low reserves, was unable to meet reparations payments or prop up its currency to uphold its peg to gold. By September 1931 Britain had also exited the gold standard, and the rest of the Empire and other major trading partners followed, feeding financial panic. This financial and geopolitical instability propelled the Nazi Party in Germany.[6] But its takeover could have been prevented, had the German leadership adopted the American System solutions of Dr. Wilhelm Lautenbach, a senior advisor in the German Economics Ministry, who in 1931 proposed national credit to build a way out of the depression.[7]

The Hitler project was backed by the same banking fraternity that ran the austerity regimes in Austria and Italy and was getting fat off German reparations. Norman, a public face of the world's most powerful financial interests and a person with considerable influence in international relations, played a key role, along with his man Schacht, in reviving the

3. Claudio Borio and Gianni Toniolo, "One hundred and thirty years of central bank cooperation: a BIS perspective", BIS Working Papers 197, Feb. 2006.

4. During negotiations for establishing the BIS, British banker Charles Addis declared the plan would "fulfill the dream of Genoa by the gradual development of the BIS into a cooperative society of Central Banks".

5. The Swiss Confederation, Belgium, France, Germany, Italy, Japan, and the UK, together with a US banking consortium including JP Morgan, the First National Bank of New York, and the First National Bank of Chicago.

6. Nazi votes surged in areas affected by bank collapses. "Financial crises and political radicalisation: How failing banks paved Hitler's path to power", BIS Working Papers 978, Nov. 2021.

7. Hartmut Cramer, "Wilhelm Lautenbach's Concept of Productive Credit Creation", *EIR*, 18 April 2003.

prospects of the German Nazi Party. They organised the replenishment of its empty coffers in 1932. Wall Street banks, including New York-based Brown Brothers Harriman, the largest private investment bank in the world at that time, facilitated Nazi credit lines and corralled funding. Norman himself had started his career with Brown Brothers, where Prescott Bush, father and grandfather of the two US Presidents Bush, was a managing partner. These bankers were closely tied to the German industrial interests bankrolling the Nazi Party, including Fritz Thyssen of Thyssen companies. As support for the Nazis grew with the worsening crisis, Schacht, conspiring with American lawyer John Foster Dulles[8], steered Hitler into position to take the Chancellorship in early 1933. As Reichsbank president, Schacht was in almost daily contact with Norman, with German banker Max Warburg of the Warburg banking family, his number two at the Reichsbank, and with Max's nephew Siegmund who was advising Schacht. After joining Hitler's government as Economics Minister in 1934, Schacht brutally fulfilled the British austerity code with slave labour and concentration camps. Whereas Germany had been deliberately crushed under debt in the 1920s, once Hitler came to power Bank of England credit and Anglo-American debt relief were suddenly forthcoming.[9]

Acknowledged in the history books as a founder of the BIS, with Norman, Schacht remained on the BIS Board of Directors from 1933-38. The BIS allowed Nazi Germany to continue to function financially and obtain imports, despite being cut off by major nations. It carried out foreign exchange transactions, recognised the regimes Germany installed in occupied nations, arranged transfers of stolen gold, and facilitated complex schemes to funnel money to the Nazis. The BIS provided information to the Reichsbank on the finances of Germany's enemies.

Prior to Nazi annexation of its Sudetenland region in 1938, Czechoslovakia had already transferred most of its gold, for safekeeping, into accounts at the Bank of England—accounts in the name of its own central bank or of the BIS on its behalf. Under the Nazi occupation, in 1939 National Bank of Czechoslovakia staff were forced to order its gold to be transferred from the Czechs' BIS-run account at the BoE into the Reichsbank's account. With BoE approval, the BIS shifted 23.1 metric tonnes of Czech gold to the Nazis, in just one of several transactions. Montagu Norman, in the name of conducting banking free from political (or moral) considerations, insisted the transactions be fulfilled. "I can't imagine any step more improper than to bring governments into the current banking affairs of the BIS", he wrote regarding the matter. BIS Chairman Otto Niemeyer wrote that he was satisfied "that there was no legal reason why the instructions should not be executed, and the transaction was therefore carried out in the usual manner." Incredibly, he added: "There had, in fact, been no alternative but to carry out the instructions received." This insistence—in March 1939, just six months before the formal outbreak of war—on keeping financial decisions out of the hands of elected politicians, assured the advance of the Nazi war machine. The BIS continued to facilitate transfers of looted gold throughout the war, including gold obtained from concentration camp victims, and transferred occupied nations' BIS share-holdings to the Nazis. BIS independence would demand a high price, wrote British author Adam Lebor—"mountains of gold ingots to pay for steel to build bombs that would soon rain down on London."[10] But claims of the bank's political neutrality were lies: it refused to conduct similar transfers requested by the Soviet Union.

Historical documents also reveal the bank acted as an intelligence interface between the Nazis and pro-Nazi political and business circles in the USA, connecting German industrialists backing the Nazis with Allied business, with "the full assistance" of the State Department. American banker Thomas McKittrick, BIS president in 1940-46, worked as an "asset" of US intelligence director Allen Dulles (John's brother). McKittrick was close to BIS director Emil Puhl, a notorious Nazi who was vice-president of the Reichsbank and oversaw the movement of Nazi gold and the finances of Hitler's murderous SS forces. Over a dozen Nazis held key positions at the BIS before and during the war, including Hitler's economic adviser and later Reichsbank President Walter Funk, BIS director in 1938-39. As the war drew to a close, BIS personnel assisted Nazis to survive in the post-war era.

Post-war: The Bretton Woods fight

Efforts to liquidate the BIS after the war confirmed that it was virtually untouchable. US Treasury Secretary Henry Morgenthau rightly condemned the BIS as "a symbol of Nazi instrumentality". At the July 1944 Bretton Woods international monetary conference, he and Treasury official Harry Dexter White, on President Roosevelt's behalf, led a charge to shut down the bank. The resulting resolution was opposed by the British delegation (represented by John Maynard Keynes), which threatened to abandon the conference and the post-war institutions it was constructing if it was not withdrawn. As a result, the motion was watered down and its weak call for "liquidation of the [BIS] at the earliest possible moment" was never implemented.[11] FDR died in April 1945 and Morgenthau lasted only three months in the administration of his successor, Harry Truman. By 1945 the US Federal Reserve quietly advised Treasury to drop the BIS liquidation plan. The BIS laid low until events made possible its revival.

FDR had demanded decolonisation of the British Empire and planned to work closely with the Soviet Union and China to uplift the developing world.[12] But Churchill, with Truman, launched the Cold War and the US-UK "special relationship". The 1948 anti-Soviet Marshall Plan, ostensibly designed to rebuild Europe after the war, became a vehicle instead for expansion of London's reach, now in tandem with its Wall Street junior partner. With East-West cooperation off the table and the BIS positioned to maintain and enhance its power, the way to a new "informal financial empire" was open.

Next—The Mont Pelerin Society dictates global fascism

8. John Foster Dulles helped in the capacity of legal representative of Brown Brothers Harriman and other banks. He had earlier been a legal counsel at the 1919 Paris Peace Conference and helped design the Dawes Plan. Later he would be US Secretary of State in the Cold War.
9. Webster Griffin Tarpley and Anton Chaitkin, *George Bush: The Unauthorised Biography* (*EIR*, 1992).

10. Adam Lebor, *Tower of Basel: The Shadowy History of the Secret Bank that Runs the World* (Public Affairs, 2013).
11. "BIS: The sleeper cell that destroyed Bretton Woods", contained in *Who ended the Bretton Woods system and opened an age of infinite speculation?*, ACP, 2021.
12. "Franklin Roosevelt's economic development policies vs the Anglo-American financial empire", *AAS* Almanac, Vol. 13 No. 14.

The genesis of austerity (Part 7)

The Mont Pelerin Society dictates global fascism

By Elisa Barwick

City of London bankers, intent on reviving economic liberalism after World War I, wrote new economic rules at the international Genoa conference in 1922 (despite its being a rump meeting after major participants Germany and Russia walked out). As reported in Part 2 of this series, they proclaimed at Genoa a "code of austerity", mandating reduced consumption by the population and prohibitions on government spending or credit-issues for real economic development. After testing in the UK, the austerity policy made its full debut in Fascist Italy (Parts 4 and 5) and in Austria and Germany (Parts 3 and 6), where it fed the fascist takeovers of those countries as well. That did not deter the London bankers and their American and German hangers-on from inaugurating in 1930 a new central bankers' bank to police austerity and uphold the priority of financiers' interests: the Bank for International Settlements (BIS), as reported in Part 6.

World War II thoroughly disrupted the liberals' scheme. For one thing, those three fascist showcases of economic liberalism (full freedom for financiers) and austerity—Italy, Austria and Germany—were defeated in the war. From the other side, there was the leadership of US President Franklin Delano Roosevelt in favour of a very different policy.

Facing the Great Depression, Roosevelt reached back into American history to revive the American System economics of first US Treasury Secretary Alexander Hamilton, whom he had studied.[1] His 1933 New Deal broke with the budget-balancing approach of President Herbert Hoover, his predecessor, and began a series of credit-generation programs to finance job-creation in rebuilding the real economy. Under FDR, the Reconstruction Finance Corporation functioned as a Hamiltonian national bank, issuing credit for the Tennessee Valley Authority and many other infrastructure and industrial projects.

A debate over the necessity for public expenditure programs erupted in the UK, as well, at that time. The setbacks to the liberal agenda were so severe during the 1930s Depression, which that agenda's implementation had done much to bring on, that by the end of the decade some of its proponents were publicly lamenting the impending death of economic liberalism.[2] Roosevelt referred to the liberal financier circles of London and Wall Street as "economic royalists" who should be defeated.

During the war itself, state guidance of the economy went far beyond the state spending for war needs during World War I that had distressed the Versailles, Brussels and Genoa conferees in 1919-22 (Parts 1 and 2). In line with his Depression response, FDR applied American System methods to build up US industry as an "Arsenal of Democracy" to defeat the Nazis. What's more, Roosevelt confronted British PM Winston Churchill with the need to apply the same methods to a post-war, post-colonial world, as against British imperial "18th-century methods". Said FDR, "*Twentieth*-century methods involve bringing industry to these [soon to be former] colonies. Twentieth-century methods include increasing the wealth of a people by increasing their standard of living, by educating them, by bringing them sanitation—by making sure that they get a return for the raw wealth of their community."[3]

By the end of World War II, linchpins of the Empire like Egypt and India were preparing to depart from it. In the UK itself, Labour Prime Minister Clement Attlee, who took office in July 1945, adopted FDR's philosophy of putting people ahead of markets. He nationalised key industries, and established public housing and free public healthcare. In 1946 he took on the sacred cow of central bank independence by nationalising the Bank of England, which had been founded in 1694 as a club of private banks. In other European nations, such as Italy and France, strong Communist parties, which had taken a major part in the resistance to fascism, were gaining ground. Soon Germany and Japan, and South Korea later, would get back on their feet economically by using directed credit created by their own national banking institutions, based upon American system principles.

Thus there was no smooth sailing for the liberal agenda. The financiers' flagship organisation, the BIS, came within a hair's breadth of being disbanded at the Bretton Woods international monetary conference of July 1944, as Roosevelt and his team had sought. It would be decades before the BIS could gain the stature it has today as the arbiter of a liberal, "rules-based" bankers' dictatorship.

Liberals regroup

As always, British liberalism adapted to the times. In the financial-economic realm, it did so using two varieties of monetarism: the anti-government super-liberalism of the Austrian School of economics, and its seeming opposite, Keynesianism.

On that first track, neoliberalism, the bankers who had created the BIS launched their next project in 1947. The Mont Pelerin Society (MPS) think tank was founded in a hotel on the slope of the Swiss mountain after which it is named, with the purpose of organising a drive for international top-down control of financial policy, disguised as a crusade for individual economic freedom. Its perspective was to build a political consensus—entirely lacking at the time—infiltrating neoliberal ideas into academic and, ultimately, government institutions of key countries.

At the City's direction, the core of the MPS was formed by the Austrian School of Economics, whose leaders had come onto the world stage as advisers to the Bank of England/League of Nations Austria project in the 1920s (Part 3).

1. Robert Barwick, "The Hamiltonian Revolution and FDR's Glass-Steagall", *Time for Glass-Steagall Banking Separation and a National Bank!*, ACP report, 2018.
2. Richard Cockett, "Keynes and the Crisis of Liberalism, 1931-39", chapter in *Thinking the Unthinkable: Think-Tanks and the Economic Counter-Revolution, 1931-1983* (HarperCollins, 1994).

3 . "FDR's Post-Colonial Vision Challenged Churchill", *The British Empire's European Union*, ACP pamphlet, 2016, p. 10.

In August 1938 diehard liberals, including Austrian School founders Ludwig von Mises and Friedrich von Hayek, had gathered in Paris to plot liberalism's future. Throughout the 1930s they had been working out of the Graduate Institute in Geneva (Switzerland), a League of Nations-affiliated, Rockefeller Foundation-funded body founded in 1927. The Geneva Institute was a nest of League and Austrian School figures who designed the Austrian Protocol for austerity and the demolition of any government control of economics and finance.

Several Graduate Institute members attended the inaugural MPS summit in 1947. The new organisation regrouped them and other Europeans, ones who had openly sponsored fascism in the 1920s and 1930s. Among them were members of ancient Venetian and Austro-Hungarian families, such as Otto von Habsburg, co-founder of the Pan-European Union movement, and Bavarian Prince Max von Thurn und Taxis, whose family for centuries had owned the continental European postal service and run foreign intelligence for the Republic of Venice and, later, the Habsburg royal family in Austria. Thurn und Taxis became a titan of the MPS, serving as its secretary-cum-controller from 1976 to 1988.

It was evident in the run-up to the MPS's founding, that the Austrian School was now oriented "to Britain as the cradle of liberalism", wrote British historian Richard Cockett. Hayek had taken up a position at the London School of Economics (LSE) in 1931.

As the British Labour Party under Attlee campaigned for the upcoming election with a platform of increased government intervention to boost the economy, a February 1944 meeting of the Political Society at King's College, Cambridge, set into motion the plan for an international propaganda unit to subvert such an outlook. Hayek planned the event with John Clapham, a close collaborator of Montagu Norman at the Bank of England.

In October 1945 Albert Hunold, an LSE-trained Swiss businessman, invited Hayek to speak at Zurich University. A senior official at the Swiss banking giant Credit Suisse, Hunold had crossed paths with Hayek at the Graduate Institute. He would soon become secretary of the MPS. Hunold introduced Hayek to a group of Swiss industrialists and bankers, whom prominent City of London figure Sir Alfred Suenson-Taylor (later Lord Grantchester) would tap to fund the project. Seed capital, particularly for the initial meetings of the MPS, came from the biggest Swiss banks including Credit Suisse and UBS, insurance companies such as Swiss Re, the Swiss central bank, and Swiss businessmen.[4]

As Hunold later recounted, at that Zurich confab Hayek proposed to hold a subsequent, week-long meeting in a Swiss Hotel to discuss "the foundation of a new liberalism in the western world" to counter the threat of "Socialism" in the UK and New Deal America.[5] Hunold's Swiss Institute of International Studies (SIAF), which he had established in 1943, became a feeder operation for the MPS. It mobilised elite circles of the country to channel funds, host lectures, conduct publishing and translations, and run logistics for the MPS project.

Suenson-Taylor, later chairman of London and Manchester Assurance, continued to arrange Bank of England funding for MPS meetings, many of which he attended, after its founding. Earlier he had founded the International Liberal Exchange, considered the first neoliberal think tank, with offices in London and Geneva. It would feed the nascent Institute of Economic Affairs (IEA), the London think tank established in 1955 by British businessman Antony Fisher at Hayek's suggestion, providing its co-founder and key staff. Fisher had met with Hayek at the LSE in 1945 inspired by a *Reader's Digest* summary of Hayek's 1944 anti-government tract, *The Road to Serfdom*.

City of London financiers led by Harold C. ("Harley") Drayton kept the money flowing. With business partners who were either close to, or members of, the Royal Family, Drayton ran a network of investment trusts—the prestigious Drayton Group. He controlled at least 20 trusts and chaired some 23 companies, from banks to tramways, newspapers, and real estate. Much of the group's financial power derived from two big clients: the Church of England and the British Crown.

It was Drayton's bank, Midland (one of the original British "Big Four" with Barclays, National Westminster and Lloyds), that in the 1950s began making trades that bypassed the Bretton Woods financial regulations, which prevented currency speculation and controlled capital flows. These trades were the beginning of "Eurodollar" market pioneered by Sir Siegmund Warburg, a City of London financier who earlier had advised Nazi Economics Minister Hjalmar Schacht. That scheme would usher in the financial deregulation promoted by the MPS and reinforce London's financial power at a time when it as threatened with extinction.[6]

From the US side, anti-New Deal businessman Harold Luhnow put up funds, through his Kansas City-based William Volker Fund, for Americans to travel to Switzerland for the inaugural MPS meeting. The Volker Fund paid for the US university salaries for Mises and Hayek (who moved to the University of Chicago in 1950), lecture tours by American economist and MPS founding member Milton Friedman, and the establishment in 1946 of the Foundation for Economic Education in New York, where Mises worked.

The first summit

Hayek declared that the agenda for the founding MPS conference was to "provide the intellectual foundation for a new liberalism to confront the many problems besetting the postwar world", based on a "philosophy of freedom".[7] In reality, the philosophy was not freedom at all, but fanatical individualism, geared towards returning the world to feudal, pre-nation state times, before the advent of elected governments.[8]

As with the austerity programs, executive power would be handed to external technocrats. Hayek mapped this out to Fisher as he was preparing for the inaugural meeting, warning him against wasting time on a mere career in politics. He told Fisher that the key players would be "intellectuals" who could promote the desired ideas, and encouraged him to form a "scholarly research organisation to supply intellectuals in universities, schools, journalism and broadcasting with authoritative studies of the economic theory of markets and its application to practical affairs." Hayek's prescription would later be the model for the IEA, according to Cockett. Some liberals felt this approach was too slow, but soon enough it would be contributing, in Cockett's words, "to changing governments' policies through members' roles as advisers or policy-makers".

4. Since its re-establishment in 1815 at the Congress of Vienna, Switzerland with its secretive banks has functioned as a haven—a special-operations piggy bank, some have said—for the European aristocracy.
5. Hunold, "The Story of the Mont Pelerin Society", address to the 9th meeting of the Mont Pelerin Society, 8 September 1958.

6. "The creation of the worldwide casino", in Who ended the Bretton Woods system and opened an age of infinite speculation?, ACP pamphlet, 2021, summarises Warburg's establishment of these US dollar markets located outside the USA.
7. Bruce Caldwell, "Mont Pelerin 1947", Chapter 6 of *From the Past to the Future: Ideas and Actions for a Free Society* (Hoover Inst., 2020).
8. This evil philosophy is fully documented in "Friedrich von Hayek, Fascist Ideologue", *New Citizen*, April 2004.

Fisher was tight with the City of London bankers who backed the MPS. He worked with colleagues of Suenson-Tayler, including Oliver Smedley, an accountant who quit the profession to campaign for free trade, and S. W. Alexander. The latter, founder of the Society for Individualists, had departed Canadian-British newspaper publisher Lord Beaverbrook's media empire at the close of the war to head up Drayton's *City Press* newspaper, the first newspaper of the City of London,[9] for which Fisher had once written. Smedley joined Fisher in setting up the IEA in late 1955.

While all 39 participants at the April 1947 MPS summit agreed on the precedence of the individual over the state, there were differences of opinion on how to achieve the new association's aims. "Hayek and others believed that classical liberalism had failed", including the *laissez-faire*, open slather approach; they thought the state should establish a framework, a "competitive order", for the free market. [10]

Mises clung to the old approach. His vision for the new order was so extreme that he considered some of the invited participants "outright interventionists", he told Hayek in a letter ahead of the summit, while even some economic liberals were horrified at Mises's fanaticism and tirades. Princeton economist Frank Graham intervened at Mont Pelerin to say: "Perfect freedom exists in the jungle. There is no law there. I think if we carry out the suggestions of Professor Mises we shall be in the jungle. ... It seems to me that unless government takes the active role to maintain competition, competition will not be maintained." At one point, economic historian and MPS supporter Caldwell writes, "Mises purportedly 'stood up, announced to the assembly "You're all a bunch of socialists", and stomped out of the room'".

French economist Jacques Rueff (later an adviser to President Charles De Gaulle) observed of the Mises-type radicals: "According to them, any intervention of the state in the economic life... would lead inevitably to a completely collectivist Society, Gestapo and gas chamber included." This is what Mises had contended in his 1922 book *Socialism*—that *any* government intervention equated to the state acting on behalf of the Common Good, which was anathema in his view.

Milton Friedman raised the need for a "rules-oriented monetary policy", in Caldwell's words, to ensure financial stability.

United in their opposition to government intervention on behalf of the people, MPS members set out to gain hegemony over every aspect of society, politics, academia, media, business and more. Beginning in the 1950s, over 100 neoliberal think tanks, operating in concert across borders, were established to direct policy into the neoliberal stream. Today the MPS has some 500 members, and over 250 organisations are run by MPS-affiliated individuals. These include flagship entities such as the IEA and Adam Smith Institute, plus others that routinely push war and austerity, such as the Cato Institute, the Hoover Institution, the Heritage Foundation and the American Enterprise Institute.

Australian MPS fronts included the Institute of Public Affairs, the Centre for Independent Studies, the HR Nicholls Society and the Tasman Institute.[11] Such was their clout, that Milton Friedman *personally* came to Australia to advise the 1981 "Campbell Committee" Financial System Inquiry. Campbell's radical free-market "reforms" were blocked by

Friedrich von Hayek (left) addresses the inaugural Mont Pelerin Society summit, 1947.

Liberal PM Malcolm Fraser, but delivered in full by his successor, Labor's Bob Hawke. The Campbell Committee defined the central bank's mandate as keeping down inflation, regardless of the economic impact, and outlawed national banking. From these principles a new "bipartisan economic consensus" emerged, under which both major parties adopted neoliberal economics as dogma.[12]

A word on Keynes

British economist John Maynard Keynes sat on the Court of Directors of the Bank of England when, in 1944, he led the successful fight to save the BIS at Bretton Woods. Already in the 1930s, Keynes's proposals for increased public expenditure—not unlike the quantitative easing of recent periods—had been built up as the supposed "alternative" to austerity. But though future Mont Pelerinites (like Hayek's mentor in Britain, economist Lionel Robbins) clashed with Keynes, arguing for continued austerity, the two schools of thought were merely different strains of the same liberal monetarism.[13] In his 1936 *General Theory of Employment, Interest and Money,* Keynes made explicit that he was not disposing of liberalism, only suggesting, given the circumstances of the times, a more conducive environment within which "free market" forces would still reign.

In fact, Keynes was every bit as much an operative of Montagu Norman's Treasury/Bank of England nexus of bankers who invented the austerity doctrine as the Hayekians were. Keynes was trained and financed by Cambridge economist Alfred Marshall (1842-1924), who devoted his career to destroying the American System of national credit. Marshall had developed his monetary theory in parallel with Austrian school founder Carl Menger, upon whom Hayek's teacher, Mises, had modelled himself. Keynes and Hayek frequently gushed over each other; after reading Hayek's *The Road to Serfdom*, Keynes noted that he was in "deeply moved agreement" with its thesis.

Monetarism of both varieties put balance sheets and financial stability ahead of people, at any cost. Keynes even admitted, in the introduction to his *General Theory*—first published in Nazi Germany in 1936—that his program would work well under "the conditions of a totalitarian state".

The liberal international order

Despite proclaiming unbridled freedom for individuals and the market, Mises and Hayek insisted on a global, private "superstate" to enforce neoliberalism. In his 1927 book *Liberalism: The Classical Tradition*, Mises called for "a world

9. "What is the City of London Corporation?" (in ACP pamphlet, Note 3).
10. Dieter Plehwe, *The Road From Mont Pelerin: The Making of the Neoliberal Thought Collective* (Harvard University Press, 2009).
11. The Australian case of the MPS's hijacking of economic policymaking is documented in "Mont Pelerin's Puppets: The Liberal and Labor parties", *New Citizen*, April 2004.

12. "A bank for the nation", ACP submission to 2022 RBA Review, 31 Oct. 2022.
13. "Two varieties of monetarism: the Keynesian and 'Austrian' foes of real economic progress" (in ACP pamphlet, Note 6).

super state". The classical liberal, he wrote, "sees the law of each nation as subordinate to international law, and that is why he demands supranational tribunals and administrative authorities". Hayek touted the necessity of such a power in *The Road to Serfdom*: "an international authority which effectively limits the power of the state over the individual". In a 1939 article, "Economic Conditions of Inter-State Federalism", he elaborated his call for supranational institutions, supposedly to protect economic freedom.

Luigi Einaudi, who had been an early adviser of Mussolini on his Fascist economic policy, concurred. Then-Bank of Italy Governor Einaudi could not attend the 1947 MPS summit, but, as a friend of Mises and visiting scholar at the Graduate Institute, he had pushed vigorously for keeping governments out of the market altogether. In 1948, by which time he was President of Italy, Einaudi called for "the creation of a power above that of individual sovereign States".

"Einaudi believed", wrote Italian economist Fabio Masini in 2012, "that only as an international project, could liberalism aspire to win the struggle against other ideologies".[14] Since 1918 he had advocated the forcible limitation of national sovereignty. In the 1940s he called for a European Federation, to take away the possibility of government spending funded by printing money, i.e. with national credit, and to force governments to cover budget spending from current revenue. Einaudi worked with MPS member Lionel Robbins, who had attended Mises's private seminars, to draft a federalist Manifesto for a United Europe.

With such schemes, the neoliberal international faction aimed to prevent Roosevelt's anti-colonial, nation-building Bretton Woods vision from re-emerging. A major stepping stone to today's neoliberal, "rules-based" world financial order was the formation of the European Union, which took place over four decades, from 1948 to the Maastricht Treaty of 1993, with support and promotion by the BIS. The concept of the EU was to bind European nations to a supranational authority, preliminary to the subjugation of *all* nations. Through the deregulation of finance that accompanied this project, the physically weakened British Empire began to reconstitute itself as what would later be called an "informal financial empire".[15]

Financial reorganisation was kicked off in 1948 in the process of administering the Marshall Plan, which was ostensibly designed to rebuild Europe, but explicitly excluded the USSR. In 1950 the BIS hosted the set-up of the European Payments Union (EPU) to manage Marshall Plan funds. In the process, the 18-nation EPU "removed a thicket of regulations governing European trade".[16]

In 1951 the BIS fashioned financial arrangements for the European Coal and Steel Community (ECSC), the first incarnation of the European Union. The BIS continued to host events and provide staff and infrastructure for the single Europe drive all the way through to full realisation of the EU.

14. *Luigi Einaudi and the Making of the Neoliberal Project* (Social Science Research Network, 2012). Einaudi founded a neoliberal school of public finance economics at Bocconi University of Milan, which operated in parallel with MPS outfits and developed a close partnership with the LSE.
15. Katherine West, "Economic Opportunities for Britain and the Commonwealth (RIIA Discussion Paper)", (Royal Institute of International Affairs, 1995).
16. Adam Lebor, *Tower of Basel: The Shadowy History of the Secret Bank that Runs the World* (Public Affairs, 2013).

Also in the 1950s, and in parallel with the EU's emergence, Siegmund Warburg's invention of the Eurodollar market ripped up financial regulation. The offshore trading of the dollar initiated the financial globalisation that spelled the end of the Bretton Woods system of fixed exchange rates for national currencies. In the 1960s the Bellagio Group of MPS regular Fritz Machlup, an Austrian immigrant to the USA, ran an international campaign against Bretton Woods and its fixed exchange rates, leading up to their abandonment by the United States on 15 August 1971. In the new, floating-rate system, the preponderance of international foreign exchange transactions quickly shifted from currency conversions needed for trade in physical goods, to speculation on the relative prices of the currencies themselves.

The Eurodollar market became an offshore, lawless financial zone outside the jurisdiction of any sovereign nation. It "was the invisible financial counterpart of the Mont Pelerin Society's ideological insurgency", wrote British author Nicholas Shaxson. "While the [MPS] ideology provided the enabling environment, it was this new London market and its subsequent spin-offs that ultimately forced through the liberalisation of the world economy, whether the world's citizens liked it or not."[17]

The consensus in favour of the scourge of neoliberalism, which the MPS had been attempting to fabricate and make global since the end of World War II, took hold in the Anglo-American centres of power after the 1971 demolition of Bretton Woods. Landmark events included the advent of Thatcherism in the UK and deregulatory Reaganomics in 1980s America, along with the City of London's "Big Bang" financial deregulation in 1986. In Australia, the 1980s banking deregulation made our country the haven for white collar crime it is today. Teamed with features adopted from Italian Fascism, these ideologies have had a devastating impact on nations and on lives, in some cases (such as Augusto Pinochet's Chile in the early 1970s) being enforced with overt fascism.

In the 1990s the neoliberals' term "liberal international order" was prettied up as "rules-based order".[18] It means private control of crucial sectors of the economy; banning, under the guise of preventing inflation, government-issued credit for nation-building; and the protection of "financial stability" to the detriment of real development or national sovereignty. Nations risk exile from the "rules-based order" and cut-off from international finance if they refuse BIS "recommendations".

Handing control of economic policy to private powers—the very essence of the British project trialled in Austria and of Fascism in Italy—is the central concept. Von Mises summed it up in *Nation, State, and Economy* (1919): "Liberalism, which assumes full economic freedom, tries to solve the difficulties which the different political institutions pose to the development of the market, *detaching economics from the State*." (Emphasis added.)

Neoliberalism represented a whole new ballgame: a global liberal system, enforced top-down with the *illusion of freedom* at the local level. It is the fascist corporative state on a global scale, also known as the rules-based order.

Next – From Austria to Australia: Niemeyer's austerity plan

17. Nicholas Shaxson, *Treasure Islands: Tax Havens and the Men who Stole the World* (Vintage, 2012).
18. Ben Scott, "Rules-based order: What's in a name?", The Interpreter, Lowy Institute, 30 June 2021.

The Genesis of Austerity (Part 8)

From Austria to Australia: Bank of England's Niemeyer dictates austerity

By Elisa Barwick

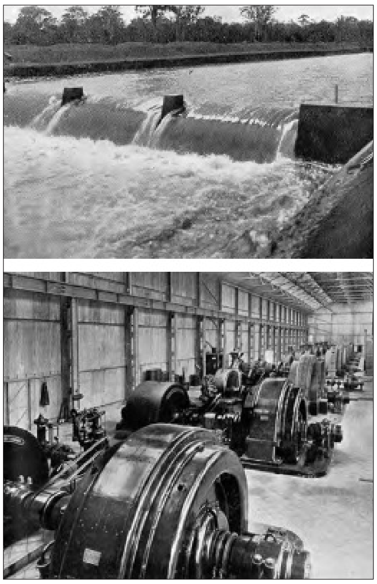
Parts 1-7 of this series (available at citizensparty.org.au) recounted how London financiers crafted a new order after World War I—a dictatorship of bankers and their balance sheets, to the detriment of the sovereign economic development of nations and the welfare of their populations. The new regime's chief institutions were the Bank of England and the British Treasury, which ran economic policy for the new League of Nations (1920) and organised the Bank for International Settlements (1930) as a central bank of central banks. They mandated ever more power for "independent" central banks, meaning independent of governments that might attempt to prioritise their citizens' interests. The banking oligarchy also cultivated teams of experts, supposedly apolitical economists who would uphold the "orthodox financial practices" demanded by the financiers. A central doctrine of these experts and their bosses was ***austerity*** *in all areas of the economy: drastic limitations on government spending, high interest rates in the name of fighting inflation, and belt-tightening through the suppression of wages and living standards.*

Parts 3 – 6 showed that these policies fed the emergence of fascism in Italy, Austria and Germany. Part 7 summarised how the Mont Pelerin Society and its offshoots carried the austerity doctrine forward after World War II, under the banner of the anti-government doctrine called "neoliberalism".

In the 1920s and 1930s, as now, the battle raging in Australia over the bankers' dictatorship and austerity policies was no mere footnote to processes in Europe. That Australian fight, which is the subject of the final two articles in this series, was of strategic importance. The perpetrators of austerity signalled as much in July 1930, by sending Sir Otto Niemeyer, right-hand man of Bank of England (BoE) Governor Sir Montagu Norman, to force austerity down the throats of Australia's federal and state governments.

The Australian outcome was strategic because the Australian republican movement, which had taken shape beginning in the 1830s, had always looked to the best of the United States as an example, including to the ideas and actions of Treasury Secretary Alexander Hamilton (1755-1804): creation of a national bank to issue public credit for manufactures, infrastructure, and other "internal improvements". Hamilton's policies, known in the 19th century as the American System, or National Economy, were a fearsome threat to the hegemony of the City of London and its junior partner, Wall Street, especially after the system's revival by Abraham Lincoln and its international spread after the US Civil War (1861-65). In the first half of the 20th century, the leadership of the Australian Hamiltonians was centred in the Labor Party—what today we remember as Old Labor.

By 1901, Hamiltonian ideas had largely been suppressed in the United States itself (pending their revival by Franklin Roosevelt in the 1930s), but they were very much alive in Australia. In 1908 the immigrant from America MP King O'Malley convinced the still young Australian Labor Party (ALP) to make a national bank a plank in its non-negotiable national Fighting Platform. O'Malley himself campaigned for the bank at street rallies around the country. In 1909 he proclaimed himself "the Alexander Hamilton of Australia", telling Parliament, "He was the greatest financial man who ever walked this earth, and his plans have never been improved upon."



The Commonwealth Bank granted loans to more than 60 local councils for development works like building hydro-electric dams and canals (top) and providing generators (bottom) for reliable power and electrification of industries.

This early history of the Commonwealth Bank—first its achievements as the realisation of O'Malley's dream of a sovereign, credit-creating bank, but then its disruption by London interests and Melbourne bankers—is told in depth in two Australian Citizens Party publications, which are available via our website: *The fight for an Australian Republic: From the First Fleet to the Year 2000* (1999) and "The Australian Precedents for a Hamiltonian Credit System", a presentation by Craig Isherwood included in *Time for Glass-Steagall Banking Separation and a National Bank!* (2018). The highlights of that history will take us into the political battles over banking, during the Great Depression of the 1930s.

Labor vs. the Money Power

At the time of Federation in 1901, leaders of the Australian Labor Party, which took the American spelling l-a-b-o-r for its name, knew that the primary battle was against what it called the "Money Power"—the City of London financial centre which dominated the British Empire and much of the globe. In 1911 O'Malley and his so-named Torpedo Brigade of allies in Parliament overcame intense opposition from the Melbourne banking establishment and from PM Andrew Fisher and Attorney General Billy Hughes—ALP members, but susceptible to the bankers' influence—to secure passage of the bill to establish the Commonwealth Bank. Denison Miller, from the Bank of New South Wales, was the banker O'Malley endorsed to become governor of the new bank. Betraying the hopes of the London-oriented banking establishment that he was one of their own, Miller acted on his commitment to fund the development of the nation. He even commenced operations without raising capital, saying, as the Commonwealth Bank opened its doors in 1913, "This bank is being started without capital, … but it is backed by the entire wealth and credit of the whole of the Commonwealth of Australia".

Pressure from the Melbourne bankers, through Fisher, prevented the Commonwealth Bank from being chartered as a complete national bank—the bank of "issue, reserve, exchange and deposit" O'Malley had envisioned. Yet it was able to stop a nationwide bank crash on the eve of World War I, finance participation in the war, and fund vital infrastructure construction. Indeed it funded the entire economy—from private agriculture, business ventures and home construction, to public works, as is detailed in Craig Isherwood's presentation cited above. The new national bank also forced the private banks to compete in retail banking, thanks to O'Malley and Miller's ingenious model of opening Commonwealth Bank savings branches in all the country's post offices. The result was lower interest rates, the abolition of charges, and expansion of the bank's deposit base, and therefore of its own lending capacity, while incurring no debt and few expenses apart from the interest paid to depositors.

Already in 1910, prior to establishment of the Commonwealth Bank, the government had taken control of the issue of paper currency (the note issue) away from the private banks and vested it in the Treasury. In August 1910 Melbourne MP Frank Anstey, one of O'Malley's closest collaborators, invoked the precedent of the paper currencies of the early American Colonies and President Lincoln's greenbacks as he spoke in favour of the 1910 Notes Bill, which gave this power to the government. "I am an advocate", he declared, "of a National Bank to utilise our national credit, free from the limitations and restrictions of any private corporations whatsoever." Rebutting critics who raised the spectre of inflation, Anstey added that a government note issue, properly wielded, would not "inflate the currency of the country by a single fraction".

J.T. (Jack) Lang of the ALP, twice premier of New South Wales in the 1920s and 1930s and a fervent opponent of the Money Power, looked back on the first decade of the Commonwealth Bank in his book *The Great Bust* (Angus & Robertson, 1962). He recalled that the bank's success in financing Australia's part in World War I had threatened London's power over the Australian economy and those of the rest of its overseas Dominions. When, at the end of the war, Denison Miller reported in London that his Commonwealth Bank had found £350 million for war purposes, and then, back home, added that his bank could raise an equivalent amount for productive purposes, "Such statements as these caused a near panic in the city of London", Lang observed. "If the Dominions were going to become independent of the City of London, then the entire financial structure would collapse. The urgent problem was to find ways and means of re-establishing the financial supremacy that had been lost during the war."

Lang continued, "Basically it was a problem of banking. Some formula had to be devised which would enable such institutions as the Commonwealth Bank of Australia to be drawn into the City of London's net." The City's solution was to force all banking in the Dominions, including Australia's Commonwealth Bank, "directly into the supervision of the Bank of England."

"The first step", wrote Lang, "was to take control of the Note Issue Department away from the Treasury and hand it to the Commonwealth Bank, as was the case in Britain."

Thus, as of 1920, both O'Malley's tendency within the ALP and the City of London with its Australian allies wanted control of issuing the currency to be put in the hands of the Commonwealth Bank, but their purposes were entirely different. The former wanted it to operate as a government-owned national bank like Hamilton's First Bank of the United States, which would finance real economic development, but the prospect of Australia proceeding with a full-fledged Hamiltonian bank was what terrified the City of London. The British therefore sought to turn the Commonwealth Bank into a central bank entirely independent of elected government, according to the model devised under the leadership of BoE chief Montagu Norman at the international conference in Genoa, Italy in 1922. British emissaries intervened repeatedly in the 1920s, and up through Niemeyer's 1930 visit, to make the Commonwealth Bank an enforcer of the tight-money austerity model worked up at Genoa and at the Brussels International Financial Conference two years earlier—the League of Nations-sponsored confab that had issued resolutions against "fresh expenditure" by governments, budget deficits, or price subsidies to assist the war-battered population. (See Part 2 of this series, on both conferences.)

First, as Lang said, in 1920 control of the notes issue was moved from Treasury to a new Australian Notes Board, administered by the Commonwealth Bank. This body was a creation of Joseph Cook, formerly a Liberal Party PM (1913-14), who in 1920 was acting treasurer in the Billy Hughes government. Hughes, the former Labor attorney general who had opposed O'Malley's national bank concept within the ALP, had left the party in 1916 and formed his own Nationalist Party, with Cook. Citing demands for budget cuts contained in the report of a 1919 Royal Commission on public expenditure, chaired by businessman Sir Robert Gibson, Cook in September 1920 vowed to "keep expenditure down to the lowest possible point". In faulting "the flood of paper money" printed during the war, Cook was backed up by the "expert opinion" of James Collins, his Treasury secretary, who had just been schooled in monetary policy at the Brussels conference.

In 1920-21 the Notes Board did restrict the supply of bank notes, citing the need to curb inflation. The result was to stifle Australian manufacturing by impeding bank lending.

The Cambridge-educated Anglophile (later Lord) Stanley Melbourne Bruce, likewise of Hughes's Nationalist Party, came to power as PM in February 1923. Commonwealth Bank Governor Denison Miller, the biggest defender of the bank's original Hamiltonian design, died in June of that year. London escalated its drive to neuter the bank Miller had believed would become "the most powerful in the southern hemisphere". Bruce went to London for the Imperial Conference of October-November 1923, which resolved that all British Dominion countries would establish central banks entirely independent of elected governments, as prescribed at the Genoa conference.

In 1924 the Bruce government instigated amendments to the *Commonwealth Bank Act of 1911*, to make it the type of central bank Norman demanded. A bank board was introduced, which included the governor, the secretary of the Treasury, and six members of the business community. Labor Party leader Matt Charlton told the House that the bill was "nothing less than an attempt to kill the Bank". City of London toady Sir Robert Gibson, the 1919 "public expenditure" Royal Commission chair, joined the new board in 1924 and soon became its chairman (1926-34). He set about gutting the Commonwealth Bank's capabilities.

The 1928 London mission

These institutional changes were not enough for the City of London. At the next Imperial Conference, in 1926, Prime Minister Bruce agreed with British PM Stanley Baldwin that a delegation representing His Majesty's Government should visit Australia and lay down strictures on how to handle Australia's finances, under the pretext of fighting inflation. In Jack Lang's account, PM Bruce was wined and dined by London's financial elite and given an earful on the Commonwealth Bank still being out of line. Lang recalled that "On [Bruce's] return from London, he was under an obligation to do something about the Commonwealth Bank. The Economic Conference had decided to bring the Dominion banks under the control of the Bank of England. The idea of a world-wide system of central banks was the core of the plan."

Back home, Bruce set up an advisory commission of economists, a type of institution pioneered in Europe since 1922, when the British Treasury/Bank of England-controlled League of Nations had sent technocrats to Austria to dictate that country's economic policy (Part 3). Bruce's commission included economists such as D. B. Copland, a New Zealand-born young economist who moved in the international circles that devised the austerity regime in Europe, and would later be a delegate to the League of Nations.

The British Economic Mission arrived at the port of Fremantle on 25 September 1928. The four envoys—big business leaders accompanied by civil servants—soon became known as "The Big Four". "Mr Bruce", wrote Lang, "had already had a visit [in early 1927] from Sir Ernest Harvey, deputy governor of the BoE, who had given him much advice on how to run the Commonwealth Bank and how he should deal with the States and other matters of finance. Australia was still a borrower nation. London was still regarded as the sole source of loan money." Harvey had insisted that the Commonwealth Savings Bank division, which competed with private banks in retail banking, did not fit with Norman's mould for a central bank, but his effort to split off the savings bank from the central bank would not be fully realised until 1959.

Lang described the task of the 1928 Economic Mission as essentially an audit of the British Crown's possessions: "They were arriving to undertake a stocktaking of assets and liabilities in that section of the portfolio of the Dominions Office filed under 'Commonwealth of Australia'."

The British team was in the country for three months, submitting its report in January 1929. According to Lang, their report condemned "examples of unprofitable expenditure and improperly planned development", such as the Murrumbidgee Irrigation Scheme and Hume Reservoir (for which they recommended suspension), and the proposed £4 million development of the Murray River scheme. Thus, projects for the common good financed by the government-owned bank were in violation of the austerity doctrine. They advocated privately owned rather than publicly funded and owned infrastructure, and recommended radical deflation, which would result, Lang correctly forecast, in hundreds of thousands of unemployed Australians. They demanded that "the costs of production must fall", meaning primarily a savage reduction of wages. The Mission objected to the ALP's push to fix a basic wage, impose tariffs, and develop manufacturing, pushing instead for greater British trade and investment opportunities, i.e. colonial looting of Australia's economy. They endorsed BoE Deputy Governor Harvey's proposal to strip the Commonwealth Bank of its savings-bank function. The Mission produced a policy handbook to dictate rules the Australian government should follow. It proposed regular visits to Australia by British civil servants. "It was the perfect blueprint for Imperial repossession", wrote Lang.

The Great Depression and great financial squeeze

In the lead-up to the full-force arrival of the Great Depression in 1929-30, the City of London interests were in the process of seizing control of Australia's banking, away from elected government. The economy was tanking. Prices for our major exports plummeted and government receipts fell around 50 per cent; customs receipts comprised 40 per cent of federal government income in 1929-30.

With reduced revenue, the government had immense difficulty meeting interest obligations on the debt it had incurred on the London market, which started being closed intermittently to Australian long-term borrowing. In 1925 Australia turned to borrowing in New York. Jack Lang pioneered the New York borrowing, as well as the more momentous policy of generating credit internally. In *The Great Bust*, he reflected on his first stint as NSW premier (1925-27): "I had almost upset the apple cart when I had floated internal loans and put forward the highly dangerous doctrine that this country could finance its own needs. I had also obtained money on the New York loan market. But I was no longer in office, and the business was back again with Morgan, Grenfell, and the House of Nivison in London."

An October 1929 federal election brought Labor back to power for the first time in 13 years. Prime Minister James Scullin, a member of O'Malley's original Torpedo Brigade, commenced governing only a few days before the great Wall Street crash. Scullin faced a shut-off of the tap for London credit, already stingy. To negotiate new loans or renegotiate old ones, Australia already had to go through Nivison & Co. in London, one of the Big Five financial firms of the Empire. Now, as Australia struggled to refinance its existing debt, the BoE clamped down on new Australian bond flotations in the London market, to force compliance with its demands for austerity. Histories of the period are flush with references to the "rigid application of sound financial principles" and the need for "sound banking"—the Brussels/Genoa financial "orthodoxy" again.

In early 1929 Montagu Norman had personally attempted to suppress a new Australian government bond, without success on that occasion, but in the course of negotiations he reinforced his authority in Australia, including via extensive meetings with two Australians: J.S. Scott, the manager of the London office of the Commonwealth Bank, and Raymond Kershaw, a member of the Secretariat of the League of Nations and Bank of England liaison with banks in the British Crown Dominions. Norman noted in his diary that when Kershaw returned to the "League at Geneva" (League of Nations) after a trip to Australia, he (Norman) had asked him to "call here in June in case he + we might agree that he should become a Central Banker—to assist in developing a Central Bankers' Club on lines of the Genoa Resolutions."

With the price of wheat, one of our major exports, continuing to fall, finances in Australia were tightening, and interest payments on the foreign debt had to be paid in gold. As more gold flowed out of the country for debt-servicing in London, the note issue stagnated because our currency was on the gold standard: 25 per cent of the value of notes on issue (currency in circulation) had to be held in gold at all times. In response to this situation and in defiance of London's anathema on political control of the currency, the government in December 1929 legislated to control the gold holdings of private banks, in a way that effectively took Australia off the gold standard. In a blow to British interests, the Commonwealth Bank acquired the bulk of the trading banks' gold and the import and export of gold was regulated. But Treasurer Ted Theodore, after this partial victory, still lamented the "lack of means for the mobilisation of our credit resources".

In April 1930 Theodore presented a Central Reserve Bank Bill to restore government control over the note issue, the gold reserve and private bank reserves (mandating that banks keep 10 per cent of their current accounts and three per cent of their reserves with the Commonwealth Bank), and to establish a "people's bank"—a public bank that would compete with the private banks in retail banking. It also aimed to eliminate the six-person business-community board in favour of a single governor. The banking fraternity hit back. Commonwealth Bank board member Alfred C. Davidson, a Bank of New South Wales executive well versed in the "new art of central banking" (economic historian C.B. Schedvin's words), complained that Labor MPs "wish to make of the Reserve Bank a machine for manufacturing notes and credit, regardless of the consequence". Backed by an increasingly vocal group of "expert" economists including the above-mentioned Copland, Davidson insisted that the central bank be at least *semi*-private. With Davidson's help, the private banks, which feared competition from a new public bank, pushed for a Senate Select Committee, where the financier-dominated Nationalist Party killed the proposed bill.

When the government, with Australia at risk of default, sought a deferment of overseas obligations, the BoE intervened. Deputy BoE Governor Harvey wrote to Commonwealth Bank Chairman Gibson that the BoE could send an intermediary to Australia "if he would be taken into full confidence", meaning he would have full access to Australia's financial operations and records. The BoE wanted the note issue suppressed, and feared ALP attempts to regain control of the Commonwealth Bank. Gibson issued an invitation to BoE Governor Norman's advisor Otto Niemeyer, the BoE's chosen emissary.

Scullin, lacking control of the Senate and bludgeoned by the BoE interventions and financial pressures, fell into the BoE trap. In mid-1930 he reappointed Gibson as Commonwealth Bank chair and endorsed the plan for a BoE visit. Anticipating an eruption of protests in Australia, he deliberately withheld announcement of the trip until Niemeyer was en route from London. The financial situation became even more precarious as credit arrangements for Australia were suspended pending conclusion of the Niemeyer mission.

Furthermore, by early July Scullin was without his finance man: Ted Theodore was forced temporarily to relinquish the post of Treasurer due to the Mungana Affair, a trumped-up scandal over the sale of mining properties to the Queensland government. Theodore himself said that he had "been the victim of a hired assassin", Lang reported.

With the national banking alternative effectively blocked and overseas financing still up in the air, in June 1930 Gibson threatened that without a "clear and definite financial scheme" the Commonwealth Bank would stop funding the government. Gibson warned that the board would not "continue to accept further obligations" and insisted on austerity—"that reductions of expenditure should be made".

The bailiff arrives

Enter Otto Niemeyer. Dubbed by Jack Lang the "Liquidator in Chief", Niemeyer was preparing to foreclose on a bankrupt nation on behalf of British bondholders. Fittingly enough, prior to his government appointments Niemeyer had worked as a bailiff, pursuing bankrupt estates.

Niemeyer was a central player in the post-World War I project to use austerity as a means of financial and political control. He had been recruited to the Bank of England by Norman in 1927, having worked at the UK Treasury since 1906. In both posts he worked with a band of technocrats to protect City of London banking interests, stealing from the poor to give to the rich, in the pilot project of the new austerity doctrine conducted in Britain (Part 2) and in subsequent experiments.

Niemeyer had represented the BoE in the League of

Sir Otto Niemeyer in Australia in 1930. Bank of England Governor Montagu Norman had ordered him to distrust "all Australian Governments and Ministers".

Nations Economic and Financial Organisation, scripting the economic subversion of war-torn and bankrupt Austria, which handed over control of its financial and economic policy to an externally directed League of Nations commissioner. In country after country, Niemeyer shifted control of economic policy decisions to external, unelected bodies. His draconian austerity model was implemented across Europe, including to enforce German reparations payments, which paved the pathway for the Nazi takeover. Knighted in 1924, Niemeyer went on to hold top jobs at the Bank for International Settlements in 1931-46. He was BIS chairman when the supranational bank facilitated German sequestration of Czechoslovakia's gold (Part 6), a move that assisted the Nazi war machine. "So they were not sending out any minor official to Australia", observed Lang. "He was a key man."

Norman assigned Raymond Kershaw to accompany Niemeyer to Australia. Kershaw was the Aussie on the BoE staff who had been feeding information on Australia to Niemeyer and Norman. Also travelling with Niemeyer was Theodore Gregory, a professor of banking from the University of London. Gregory gave a stunning lecture at Adelaide University soon after his arrival, in which he claimed that the "real world" was not "farmhouses, and human beings, and buildings, and equipment"; rather, "The real world … is the balance sheet, which those physical structures actually represent"!

Upon arrival in Australia on 14 July 1930, Niemeyer was immediately provided the "full confidence" demanded by the BoE: Gibson and his board handed him a dossier of financial statistics. Within three weeks he had determined his position and within a month he convened a meeting of federal and state governments to balance all budgets—i.e., to impose brutal austerity.

"[C]osts must come down…", Niemeyer blared at the first of these "Premiers' Conferences", in August. "Australian [living] standards have been pushed too high". In what became known as the Melbourne Agreement, Australia's state premiers unanimously resolved to balance their budgets, not seek further overseas loans, limit new expenditure, service debt only from revenue, and make monthly statistics available for foreign examination. Niemeyer's advice brought "the house of English orthodox economics down on Australia's head", wrote economic historian Alex Millmow.

Next: Australia risks fascism for austerity

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The Genesis of Austerity (Part 9)

The 1930s: Australia risks fascism for austerity

The Australian Labor Party (ALP) had been routed at every pass in its push for sovereign control of banking (Part 8), but it would not give up fighting against the drive to impose a bankers' dictatorship in Australia. A Hamiltonian national bank, as conceived by King O'Malley and soon to be approximated by Ted Theodore's attempted Fiduciary Note Issue, would crush the power of the private banks over the economy. Therefore, mirroring the London financial elite's post-WWI campaign to control banking in Europe, priority number one of the Bank of England and its Australian junior partner, the banking network in Melbourne and Sydney, was to defeat the pro-national banking faction of the Labor Party. The Money Power employed political thuggery, with the threat of physical violence by fascist paramilitary forces. It is a battle crucial for Australians today to understand.

The Melbourne Agreement and Labor brawls

The course of austerity defined by the August 1930 Melbourne Agreement, dictated to ALP Prime Minister James Scullin's federal government and the state premiers by Bank of England (BoE) emissary Otto Niemeyer (Part 8), meant squeezing ordinary working people. The labour movement rebelled against the Agreement, while Labor greats including Jack Lang, Frank Anstey and Ted Theodore presented alternative plans. A rival ALP faction, firmly in support of banker-dictated austerity, coalesced around acting Treasurer Joe Lyons.

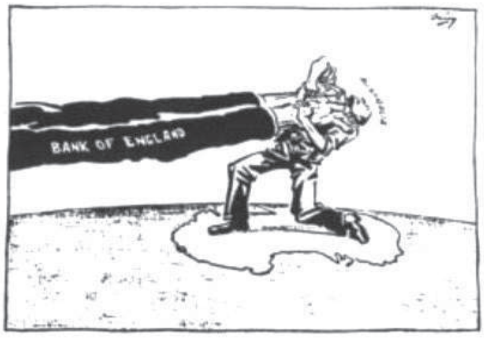
John Curtin, at the time an MP from Western Australia, wrote a pamphlet entitled *Australia's economic crisis and the £55,000,000 interest bill: How the years of Money Power extortion have brought misery to the nation*. He demanded national banking to fund a recovery, instead of austerity.

As an election campaign was under way in NSW, the Political and Industrial Committee of that state's ALP passed a motion for all NSW members of Federal Caucus (ALP members in the national Parliament) to repudiate the Melbourne Agreement, fight for a cancellation of war debts, declare a five-year moratorium on other overseas debts, mobilise credit for public works, and maintain award wages. Lang, heading up the ALP's electoral slate, denounced Niemeyer and his team as the "bloodsuckers of Britain". The 25 October 1930 poll would bring a landslide victory for Lang and NSW Labor.

But in August, Scullin had left for the latest London Imperial Conference before the end of the premiers' confab that adopted the Melbourne Agreement. The trumped-up scandal that temporarily ousted Theodore as treasurer had erupted in July. Thus, both Scullin and Theodore were out of the picture when the Melbourne Agreement was finalised and accepted on 21 August, and for some months thereafter. In early September Lyons went to Caucus with a deflationary plan to back the decisions of the conference, including government spending cuts, tax increases and wage cuts.

Again the labour movement intervened. In mid-September at a conference of unions, the Australian Council of Trade Unions (ACTU), which had already rejected the Melbourne Agreement, called for an injection of £20 million of credit for public works. It also proposed, according to the Melbourne daily *The Argus* (20 Sept. 1930), that the Federal Cabinet "should immediately nationalise banking and the means of exchange, so that all the export commodities, wheat, wool, butter, coal, lead, and others, should be used as a means of credit in other countries. The consolidation of the means of exchange would save millions of pounds a year."

While the Commonwealth Bank, now under control of the business-community board installed in 1924, insisted in its official reports that there was no alternative to "a very lean time" ahead for Australia, the ALP in Victoria and Sydney and the Federal Labor Executive demanded "utilisation of the nation's credit" to solve the crisis. At the end of September, when the Cabinet resolved by a small majority to cut public service wages, it *also* demanded an increase in public works expenditure. The broader party rejected the wage reductions. A conference between the cabinet and Commonwealth Bank boss Sir Robert Gibson followed on 3 October, to discuss the ALP's proposal for "financing of industry to absorb unemployment". The fight over private versus public (elected) power reached its zenith when Gibson, though head of the government bank, refused to obey the government's command to boost public spending. According to *Smith's Weekly* on 4 October 1930, "[W]hen Prime Minister Scullin pressed him to meet the situation by issuing Twenty Millions of new Commonwealth Notes, Sir Robert flung aside his customary restraint of speech, and replied, to the assembled Federal Ministers: 'Mr Prime Minister and members of the Cabinet, you ask me to inflate the currency by issuing another Twenty Millions of notes. My answer is, that I BLOODY WELL WON'T!' And that was the end of that project." According to contemporary assessments, by this time Gibson was considered "more definitely Prime Minister of Australia than Mr Scullin".



Sir Otto Niemeyer of the Bank of England advises lowering Australia's 'unjustified' high standard of living

Labor Daily, 1930

A Labor movement cartoon identifying the crushing hand of the Money Power.

With Scullin overseas, Lyons, with acting PM James Fenton, convened a special economic session of parliament in October, to which they invited Gibson, to push for reduction of government deficits, salaries and social services, in line with the Melbourne Agreement. What they were proposing, Anstey wrote, was to "Cut everything and everybody except the bankers and the bondholders. By these means, we are told, our financial credits and conditions will be improved." Anstey and his allies in Caucus argued along the lines of Commonwealth Bank founders O'Malley and Denison Miller, that bank credit was not limited by the balance sheets of individual banks, because the assets of the entire nation stood behind this credit.

Theodore had returned to Parliament when it resumed in October and immediately attacked Lyons's austerity proposals. Three days after Jack Lang's election victory in NSW, at a 28 October Caucus meeting Theodore's ally George Gibbons, member for Clare (NSW), put up the proposal of Theodore to instruct the Commonwealth Bank to create funds for public works, with the suggested £20 million expansion of credit. In addition to the £20 million State and Commonwealth loan works program, the proposal included a mandate for the Commonwealth Bank to create sufficient credit to finance all requirements of government; to meet Commonwealth loan servicing; and finance primary and secondary industries. The motion, in direct breach of the Melbourne Agreement, was carried after a rowdy debate but Gibson again rejected it.

In early November Anstey and Curtain amplified this broadside against the new economic orthodoxy London demanded, by calling for a 12-month deferral of repayments of loans from Britain. That same month, just when in London the BoE was once more denying funds to Scullin, Fenton and Lyons, at the insistence of the ALP's Federal Caucus, again put to Gibson the proposal for credit expansion. In a 16 December letter, Gibson wrote that approving it would result in inflation, plunging the country towards "final disaster". He denied that "the Bank Board was attempting to dictate the policy of the Government", claiming that they were merely insisting on the maxims of "a sound financial and monetary system".

MPs Ben Chifley and John Curtin continued to push hard for asserting financial independence from the private and central banking fraternity. By the end of November 1930, the Labor Party had split over the austerity plans. Many Labor MPs who opposed the Melbourne Agreement now sat on the Opposition benches. In early 1931 Joe Lyons and five other MPs would defect from the Labor Party to form the United Australia Party, which merged with the pro-bank Nationalist opposition. As far as Gibson was concerned, the Melbourne Agreement had done its job, wrecking the ALP government's ability to defy the Commonwealth Bank he controlled.

Theodore's fiduciary note issue

By January 1931, Scullin was back in the country. He quickly reinstated Theodore as treasurer, prompting the resignation of Fenton and Lyons from the cabinet. With austerity policy now all but locked in, however, the fight took the form of ensuring "equality of sacrifice" across various sectors of the nation. A series of premiers' conferences, following from the inaugural one with Niemeyer in August 1930, fashioned the soon-to-be infamous Premiers' Plan for austerity.

Also in January, the Commonwealth Court of Arbitration ruled in favour of a ten per cent cut to the award wage, saying no recovery would be possible "until the Governments are able to meet their expenditure out of revenue". (The basic wage had already fallen steeply; the court decision brought the drop to 20 per cent since 1928.) For the first time in Australia, a court decision on an economic policy matter was influenced by "professional economists" invited to testify; this was the European model of having "expert", ostensibly nonpartisan economists call the shots. Stanley Bruce, the Nationalist PM in the 1920s, had been enthralled with this model. The Australian group now included Cambridge-trained L.F. Giblin (a close friend of Lyons), League of Nations operative D.B. Copland (introduced in Part 8), L.G. Melville, J.B. Brigden and E.O.G. Shann—most of them involved with British Round Table efforts to keep Britain and its Dominions closely tied.

At a 6 February 1931 meeting of premiers, Treasurer Theodore declared it was time to abandon traditional thinking and direct credit into the economy, a plan immediately branded "inflationist". The private banks declared it was "not on sound banking and economic lines". Theodore proposed an £18 million fiduciary note issue (paper currency not backed by gold), with £12m directed into works projects (£1m a month for one year) to provide employment, and £6m in assistance for wheatgrowers. NSW Premier Lang proposed suspension of external interest payments, drastic reduction of internal interest rates on government borrowings, and replacement of the gold standard with a "goods standard". "[O]ur only standard", declared Lang, should be "the real wealth of the community, the production of the brains and hands of the people".

Ted Theodore and James Scullin. Photo: Wikipedia

After spirited debate the conference put Theodore's proposal to the Commonwealth Bank, which promptly rejected it, in line with private banks' wishes. Backed into a corner by Gibson's refusal "to continue financing Government deficits by means of inflation", Theodore resolved to prepare legislation to allow the government to regain control of finance.

Meanwhile, against the backdrop of a March federal by-election in NSW, Lang's state government defaulted on interest payments to the Commonwealth. He rejected an offer of Commonwealth assistance to pay overseas interest, unless the money could be spent on relieving unemployment, and NSW was soon in default on its foreign loans as well.

On 5 March Theodore introduced his Fiduciary Notes Bill to allow for the planned credit expansion, and on 24 March the Commonwealth Bank Bill (No. 2) 1931, to amend the *Commonwealth Bank Act* to free the currency from the constrictions of the gold standard and allow for fiduciary issues. ALP MP Earl Page affirmed in Parliament that the "set up [of] a purely paper currency" would ensure that "banking, shall, in future, be under political control". The bill eventually passed the House with amendments, but was stopped in the Senate.

In his 24 March parliamentary speech, Theodore pointed out that in countries like Austria and Hungary (Part 3) that had accepted revival of the credit-blocking gold standard, as recommended by the 1922 Genoa Conference and pushed by the League of Nations, "It has not preserved their prosperity, and it has not prevented violent oscillations of price levels. It has not avoided the depression which has overtaken the world, and is causing more disturbance, loss, unrest, and suffering than any other depression in history. The gold standard, therefore, is losing its supporters; it has proved an illusion and a snare."

On the other hand, Theodore said of his fiduciary note issue, in a March speech in Brisbane: "It will create employment for 40,000 or 50,000 men, and their employment and their spending power will create opportunities for the employment of another 40,000 men. In that way purchasing power will be increased. The vanished money will come into circulation."

Additionally, the government presented a Bank Interest Bill, to give the government the power to determine interest rates, as well as a bill to control foreign exchange. Lyons and other former Labor MPs opposed the package. The Senate, still dominated by the Nationalist Party, rejected the Fiduciary Bill in April; the other bills were defeated or withdrawn.

When Theodore pressed the Commonwealth Bank at least to provide relief for wheat farmers, the bank not only refused, but threatened that it would soon *refuse to finance the government itself*. Theodore replied that the bank had "arrogate[d] to itself a supremacy over the government in the determination of the financial policy of the Commonwealth, a supremacy which, I am sure, was never contemplated by the framers of the Australian Constitution, and has never been sanctioned by the Australian people." Blindly following the overseas example of contractionary financial policy (suppressing the money supply), he said, would neither balance budgets nor bring prosperity.

The Premiers' Plan

In April, Gibson delivered on his long-threatened ultimatum, restricting new government borrowings to just £25 million in Australia and the same in London, which would be exhausted within a few weeks. Jack Lang recalled, in his book *The Turbulent Years*, Gibson's warning that unless all federal and state budgets were balanced, "the banks would no longer be prepared to provide the finance necessary to carry on the governments. They were told that they would have to deal with the evils of default and that those evils were much greater than any hardship the nation would have to face to restore Australia to a sound position. Panic conditions would be produced in financial circles, involving banks and saving banks; business would be paralysed; insolvencies would be the order of the day; unemployment would be general." The scene was set for a pitched battle at the next Premiers' Conference on 25 May 1931.

This time the conference had a committee of leading economists play a formal role—the same Copland, Giblin, Shann and Melville mentioned above. Their job was to prepare recommendations on slashing government spending to achieve budget equilibrium by the end of June 1934. The pro-bank Nationalist premiers declared in advance their unequivocal support for the experts' proposals. Other committees, of banks, insurance companies, the stock exchange, and lawyers, were established to provide technical information to back in the plan. Economic historian C.B. Schedvin observed that "the appearance of expertise and objectivity" smoothed the way for adoption of the austerity proposal. In reality, the financial elite was dictating terms.

The final plan, released on 10 June after three weeks of daily meetings, determined that the government's "adjustable expenses" would be reduced by 20 per cent; Commonwealth income and sales taxes plus duties would be increased; interest rates would be lowered, including on government bonds, to reduce the interest bill. This was the Premiers' Plan, to be supervised by the Commonwealth Bank.

Government salaries, social services and pensions were reduced. Some concessions were made (war pensioners and disabled soldiers, for example, were reduced by "only" 12.5 per cent), but as Theodore said, there was no stimulus to the real economy, no unemployment relief.

In the face of the Premiers' Plan, Curtin and others urged the government to resign and force an election; other ALP members argued that Labor's implementing the Plan would, at least, be less harsh than implementation under a different government. A special federal conference of the ALP later denounced the Plan. A South Australian conference voted to expel all 22 MPs who supported it. The Victorian branch of the party threatened with expulsion any MP supporting the extension of wage cuts. In the end, on the promise of lower interest payments on mortgage debt and limited credit expansion, even NSW Premier Lang and Treasurer Theodore accepted the Plan, Theodore hoping it would ensure supply (financing to keep the government running) and buy "twelve months' breathing space" to get Labor's alternatives enacted. In return, the Senate passed a watered-down Commonwealth Bank Bill.

When successive premiers' conferences attempted to raise money for promised relief works, Gibson held firm against any new, large-scale projects. It would present a "danger of exceeding the limits provided under present legislation for Note Issue", he warned. By 1931 all states had enacted debt and foreclosure moratoria to assist homeowners and farmers, but Australian families were on lower wages, and other forms of social assistance were being slashed. According to the 1933 Census, the size of the average family fell.

Stormtroopers in the wings

Of course, in true Imperial tradition, there was a Plan B in case the government could not be reined in politically. Behind the scenes the same bankers, working with the nation's elite class descended from the original colonial patrician families, fostered "citizens leagues", the most extreme of which had fascist paramilitary organisations attached. Typical of the banker-league relationship, the National Mutual Life Assurance Co., on whose board sat Gibson, sponsored the flagship All For Australia League (AFAL). Overseas, austerity had always been enforced with the threat of fascist violence and dictatorial control, whether it eventuated, as in Austria, Italy and Germany (Parts 3-6), or not.

In Australia, the "stormtrooper" enforcers were the Melbourne-based League of National Security, and the Old Guard and New Guard, based in Sydney. Combined, these three groups comprised over 100,000 well-armed and highly organised militants. The best known of the three was the New Guard, led by Mussolini- and Hitler-worshipper Eric Campbell. The New Guard achieved notoriety on 19 March 1932, when New Guardsman Col. Francis DeGroot jumped ahead of Premier Lang to pre-empt him, with a sword, at the ribbon-cutting for the Sydney Harbour Bridge.

These armed fascist brigades were modelled explicitly on the blackshirts and brownshirts of Mussolini and Hitler. Like them, the paramilitaries had their front organisations—the mass citizens leagues, which shared the same philosophies, and whose members often did double duty as both league activists and members of the armed detachments. Both the armed brigades and their "citizen" fronts were created, staffed and run at the highest levels, by the country's leading financial organisations and big business. "The 1930's Synarchist Assault on Australia", a special report in the *New Citizen* of April 2004, relates this sordid piece of Australian history.

But the Scullin government was defeated politically, rather than through violent clashes, at the December 1931 election. Thanks to the Money Power's use of all its resources, former ALP member Joe Lyons won the election at the head of the United Australia Party, a coalition of ex-Labor MPs and the Nationalist Party, supported by the networks behind the fascist leagues. Lyons had campaigned for "sound finance" on a nationwide tour in April 1931 sponsored by the citizens leagues, many of which were eventually rolled into the UAP. Leaders of the Old Guard took up key positions in the party; twenty or so New Guardsmen were elected as UAP MPs.

Newspaper baron Sir Keith Murdoch (Rupert's father) promoted Lyons to draw support away from Labor. Backing for Murdoch came from the City of London-linked Melbourne banking network, which included Lord Glendyne, the chairman of Nivison's, and Sir Staniforth Ricketson, chairman of the Melbourne firm J.B. Were and Son, biggest underwriter of Australian government loans. Ricketson was the hand behind future Liberal Prime Minister Robert Menzies. A firm supporter of austerity who had been the Commonwealth Bank's legal advisor, Menzies as a Victoria state MP spoke out against rent reductions for the poor. In the face of Lang's 1931 default, he coldly opined that "it would be far better for Australia that every citizen within her boundaries should die of starvation during the next sixth months" than to take the "traitorous" way out by refusing to pay our debts. National banking and associated solutions were slandered as Communism.

In the event that Scullin and Lang weren't driven from power by political means, the League of National Security (also known as the White Army), whose leadership greatly overlapped that of the Australian Imperial Force (the regular army), was prepared to stage a military coup to assume "control of all strategic points and machinery of government".[1] This was no vain threat. As historian Andrew Moore summarised, "By the end of 1931 [the Old Guard] was a colossus, possessing many times the combined manpower of the New South Wales police and Commonwealth armed forces."[2] The New Guard boasted 30,000 members and included an elite strike force, the Fascist Legion, which dressed in black Ku Klux Klan-style hoods and robes to terrorise political opponents. Evidence of a plan to kidnap Premier Lang was discovered during a May 1932 raid on New Guard headquarters. At the federal level, members of AFAL, which had close ties with both the Old Guard and the New Guard front, had approached (unsuccessfully) WWI hero General Sir John Monash to take over as dictator.

Even with Lyons in power and strictly adhering to the Premiers' Plan, economic problems were not resolved. The premiers' conferences continued, and Gibson continued to threaten to stop financing the government. The bankers' threats were made good in May 1932, when King George V directed Governor General Sir Philip Game to sack Premier Lang after the latter's refusal to make interest payments on debt held by British bondholders. The fascist armies were days or hours from marching on Sydney, an eventuality avoided only by the removal of Lang. It forestalled an overt fascist takeover, but at the sacrifice of Australia's best leaders and policies to deal with the economic crisis. Australians knew it: Some 300-500,000 people, the largest protest in Australia's history at that time, gathered in support of Lang in Sydney's Moore Park.

The Commonwealth Bank was now close to being a full-fledged independent central bank per BoE Governor Montagu Norman's design. It controlled the exchange rate, credit policy, bank liquidity and interest rates, all with the aim "to preserve the stability of the monetary system free from political influence", not the wellbeing of the people. But the fight was far from over. The 1937 Royal Commission on Banking, convened by the Lyons government to settle who should have authority over banking—the government, or the Commonwealth Bank board—ruled that "The Federal Parliament is ultimately responsible for monetary policy". This ruling, giving the government the power to override the private banks, remains in banking legislation to this day.[3]

1. Keith Amos, *The New Guard Movement 1931-1935* (Melbourne U. Press, 1976).

2. Andrew Moore, *The Secret Army and the Premier. Conservative Paramilitary Organisations in New South Wales 1930-32* (New South Wales U. Press, 1984).

3. "Upcoming RBA legislation: Don't hand power to private bankers!", *AAS*, 15 Nov. 2023; the government is currently pushing to eliminate these powers.

A New Guard "Fascist Legion" member.

Lyons did not act on the royal commission's decision, but when Curtin and Chifley came to power as PM and treasurer during World War II, they used their war-time powers to restore crucial functions of the Commonwealth Bank, which immediately began to extend credit to the government through the issue of Treasury Bonds. There was a huge leap in government spending, but, contrary to the bankers' warnings, it was not inflationary, because it contributed to the real economic development of the country. Commonwealth Bank control over the private banks ensured credit was directed into the productive sector. Within months the unemployment rate dropped to zero![4]

As the war drew to a close, Prime Minister Curtin moved to make permanent the bank's restored powers, starting with the *Commonwealth Bank Bill* of 1945. Curtin declared, "The legislation that I am proposing today is based on the conviction that the Government must accept responsibility for the economic condition of the nation. … Accordingly, the Government has decided to assume the powers which are necessary over banking policy to assist it in maintaining national economic health and prosperity." This was a declaration of war against the agenda of Montagu Norman and his Bank of England, a mortal challenge to the supremacy of bankers and their hired economists over governments.

The bill soon became law, but Curtin's and Chifley's plans were interrupted by Australia's banking establishment, which challenged them in the High Court. A scare campaign by the banks caused Chifley to lose power in the 1949 election.

The bankers who had organised and funded the fascist paramilitaries of the 1930s continued their battle against national banking and the common good, by sponsoring the Australian wing of the worldwide Mont Pelerin Society network of think tanks (Part 7)—the Institute of Public Affairs, the Centre for Independent Studies, the HR Nicholls Society and Tasman Institute—to make the neoliberal austerity agenda permanent. In place of armed fascist mobs came mass brainwashing of policy-makers and the population on the theme that government should not interfere in the economy, but let the free market rule all—the disastrous dogma embodied in the deregulation polices which the Hawke-Keating Labor government (1983-96) installed, and which both Labor and Liberal governments have continued ever since.

The banker-dictatorship regime of permanent austerity can be defeated through a revival of Australia's strong tradition of national banking.

Research and assistance for this series was contributed by Robert Barwick, Robert Butler, Anton Chaitkin, Allen Douglas, Rachel Douglas, the late Kelvin Heslop, Craig Isherwood and Gabrielle Peut.

4. Craig Isherwood, "The Australian Precedents for a Hamiltonian Credit System", *Time for Glass-Steagall Banking Separation and a National Bank!* (ACP, 2018).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