From Adam Smith to the Present Mess via Depressions and Two World Wars
A Short History of Economic and Christian Corruption Across the West

Commerce, which ought naturally to be, among nations, as among individuals, a bond of union and friendship, has become the most fertile source of discord and animosity.

Adam Smith, 1776

AS_WN,IV.3 Part 1.38

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Preface

In aiming to solve the problems that have led our Western world into the mess it has landed itself in we need to examine its economic and religious backgrounds freed of contrived theories, corrupt doctrines, political spin and wishful hearsay concerning the truly insightful observations and conclusions reached by Adam Smith, Jesus of Nazareth and many other earnest students of the human condition and threatened Earth. In this essay I shall explore certain aspects of how, through its cultural evolution since the birth of agriculture, humankind has lost its sense of coherence to such a degree that current crises threaten it with catastrophic outcomes, - even extinction. For instead of the cooperation and barter which allowed humans to survive as they evolved over millions of years, accumulated food harvests and other surpluses enabled the powerful to force inequities on 'subdued' peoples to the point of market instability, collapse and repeated competitive wars. Yet, recognizing such market distortion, inefficiency and cruelty, Adam Smith condemned that corrupt 'privilege-based' mercantile system, – advocating instead fair-trading freed of 'special privileges' as the honest corrective. However, forced continuation of the flawed system landed Europe's Western states in repeated economic failures, international wars and, ultimately, the present crises.

And yet, as Smith realized, the industrial revolution of his time had simply enormous potential for both good and evil. For, on the one hand, coupled to an equitable fair-trading system it could readily have provided for the universal satisfaction of all human needs essential to a peaceful world. But on the other, as long as that alternative was rejected (and obscured) by the Western world's powerful, its preferred combatively competitive mercantile system would become the instrument of ever greater inequities, growing international tensions and increasingly violent destructive wars. Moreover, due to its preoccupation with unbridled resource and industrial output, there has persisted a further grave problem because that system continues to produce ever-expanding quantities of 'resources' and manufactured 'goods' of all kinds (armaments included) that clutter society, producing vast wastage, pollution, etc., all 'out of control', with no consideration given to the ever-mounting resource depletions, environmental, human health and other costs, - not to mention its complete failure to leave adequate provision for our youth and future generations. Here I outline this

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unfortunate process as it expanded through (and beyond) the Western World from the time of Smith's insightful revelations to the present.

At the same time, it is only fair to stress that as in our Western Christian culture, gross inequities and unearned privileges have long co-existed side by side in many other cultures as in, for example, the Islamic and Hebrew. Likewise, they too exhibited cruel practices, many 'justified' in law and aided by corrupted religion, many persisting still, e.g., public beheadings and the chopping off of hands in Saudi Arabia. Indeed, one can detect in the testimonies of Abraham, Father of those cultures, the seeds of all manner of corrupt economic and religious attitudes when it comes to justice within, between, and beyond these Judeo-Christian-Islamic societies. Thus, even today we still see in some Anglican circles highly inappropriate religious messages presented. For example, from an Order of Service recently used in my old school, one giving a 'Ministry of the Word' teaching from Genesis 1:26-31, we have,
*26 *Then God said, "Let us make mankind in our image, in our likeness, so that they may rule over the fish in the sea and the birds in the sky, over the livestock and all the wild animals, and over the creatures that move along the ground."* 27 *So God created mankind in his own image, in the image of God he created them; male and female he created them.* 28 *God blessed them and said to them, "Be fruitful and increase in number, fill the earth and subdue it. Rule over the fish in the sea and the birds in the sky and every living creature that moves on the ground."* Just as further on we are informed that God has gifted the lands of others to His favoured people. Clearly, such messages are totally at odds with the spirit of Jesus of Nazareth and thus contrary to hopes of universal justice and peace on earth, yet the purveyance of similarly corrupted 'religion(s)' through history has greatly influenced our Western culture. In this essay I've sought to debunk such self-serving messages, as well as to stress the total counter-productivity of all corruption when it comes to our species' universal welfare, truly-earned self-esteem, contentedness, peace, value to Nature's integrity, - and hence, to its and our survival.

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ABSTRACT

Today's Western business world with its prolonged history of increasing instability, depressions, international friction and wars calls for urgent remediation. After all, struck by the unjust, unstable mercantile system that Europe had inherited from its past, Adam Smith long ago pleaded the cause of free, fair-exchange mutually-beneficial trade open to all people. For, as he realized, instead of what had become the 'normal' exploitation of Europe's home populations, along with others' lands, peoples and resources, the outlawing of government-sanctioned monopolies and elite 'special interest' privileges (key features of the mercantile system) could readily provide the much-needed 'level playing field' to enable equivalent benefits, economic stability, universal justice and international peace. However, at no stage then or since did Europe's world of upper echelon business reform its unjust, unsustainable mercantile ways. Hence, the continuation of its 'traditional' combative trade and colonization practices led to repeated wars between Europe's states throughout the 18th and 19th centuries.(AS_WN, IV.3.38 ; AS_WN, IV.7. 166) Indeed, by the end of the 19th century, Europe's contending empires were arming heavily for the 'final' military contest to decide which 'should prevail' over all!

However, the telling reality of that bizarrely tragic WWI 'show-down' was that the outcomes for all original combatant peoples were mutually catastrophic.(WC4i, 30,31; PK) Moreover, the 'business as usual' intention of the 'victors', Britain and France, - to punish Germany's alleged 'sole guilt' and go on expanding their empires, soon ran into deep fears of communism, especially once the Great Depression displayed their own economic fragility. So, as Churchill in *The Gathering Storm* systematically records, that led them to helping Hitler rearm Germany, Europe's Conservative victors turning a blind eye to his plans to 'go East', - until the penny dropped, - and WW2 descended.(WC5i)

Then, only the stimulus of its vast military-industrial activity during WW2 lifted the US from the Great Depression. However, extending such means of economic salvation post-war on the claim (George F. Kennan-denied) that the USSR was set to invade Western Europe, posed an on-going WW3 nuclear holocaust threat to the world.(DK ; MG2, 685-6 ; GFK2) Further, such 'Cold War' industrial support of the US and other unstable economies continued to have extremely adverse effects on economies, international relations and freedom from wars. Moreover, sequestering real wealth in vast accumulations of nuclear and conventional arms' hardware for decade after decade (far beyond the end of the Cold War) entails a vast opportunity cost, squandered in dead-end military 'solutions' to politico-economic/diplomatic problems, many unleashing large-scale corruption, - as via the 2003 invasion of Iraq. All doing enormous environmental damage, especially current wars over the world's fast-disappearing resources, - most critically oil and gas.(DY; MK1-4) And all causing enormous investment diversions from desperately-needed replacements of run-down civil infrastructure, modern industrial upgrades, and urgently required 'bridges' to provide sustainable renewable energy and vital algal oils as fuels, lubricants, surfactants, fertilizers and plastics - as well as to rejuvenate neglected diplomatic areas essential for optimal engagement with the wider world.(GFK ; PDE ; JFK ; JSa5)

Accordingly, what characterizes the US (and like economies) today remains a highly corrupted system deserving a thorough Adam Smith makeover. For, being centered on the ideas, the wishes of the wealthiest, such economies stem directly from the undemocratic, unearned privileges blessed by governments: the monopolies, oligopolies and other 'deals' that continue to divert wealth from the less well off, - thus ever heightening the current asymmetrical distributions of wealth and consequent collapses in demand.(JES1 ; JES2) A prime

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example is the recent housing bubble which exposes not just illegal wealth extraction but the US government's support, - plus the many corrupt wars now largely out of control over much of the Middle East.(JaKG5 ; JSa4) As Adam Smith would understand the overall picture, corruption on the grand scale, so neither democracies nor fair-trade peaceful national economies and thus clearly still stuck in an Europe-derived ossified mercantile past, by now ominously amplified and close to the brink.

Introduction

The connection of Adam Smith to the state of today's world (which I've termed 'mess') is both valid and causative, providing it is understood that such causation is 'inverted', turned on it's head. For it is clear that just so many of the business, political, moral and military crises the world faces today stem from the long-lasting failure of the Christian Western world's business and other leaders to follow Adam Smith's wise counsel. And since the consequences of such failure are that our business world has continued in essentially the same fashion as existed throughout Smith's time, its instabilities and unjust combative features are as prominent today as in the self-serving mercantile version that Smith so thoroughly described and condemned. And that calls for most serious consideration and urgent action.

For there is an entirely preferable alternative because Adam Smith's concept of fair trade, - exchanges of equal value, - was so fundamental and straightforward it was (and remains) capable of attaining not only all-round justice, but both economic and social stability, amicable world-wide trading satisfaction and consequent freedom from economic instability, crises, international friction and wars. Moreover, since that straightforward system is still in use as practiced between just so many every-day people as they exchange goods, or services, - people freely making their own judgments about 'fairness' as to the equivalence of hours and skills involved, - it could be readily understood and made the norm, a reality followed by all.

In contrast, however, key characteristics of the higher echelon world of our present times, as of Smith's day, centered as they are not on converging satisfactions but on the attainment of positions of strength via dominant asymmetries in all trading situations (e.g., commodities, labour-hiring), the outcome is not only unjust levels of reward but, stemming directly from those unequal exchanges, failing markets and sagging economies. In short, to gain unfair advantage, corruption, cheating in all its guises has long become the norm for much of the high-flyer business world. Further, not content with yields from such covert approaches, influential 'special interest' groups (c.f., Smith's 'exclusive companies of merchants and manufacturers') have throughout the entire period obtained governmental assistance to gain unfair advantage via exclusive monopolies to protect their trade against what should be normal price-limiting competition, such cheating diminishing the wealth of all others in society.(AS_WN, IV.7.146 ; IV.8.54)

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Further, since even well before Adam Smith's day, Europe's maritime powers' special interest groups were granted Royal Charters giving them dominance over other people's territory, inequities across the world have been compounded. For instead of fair trade between the world's peoples, there occurred all manner of injustices, including exploitations of colonized lands, their peoples (slavery included) and their resources. Moreover, not content with the gains from such kleptomaniac pursuits, European powers competing for possession of the same overseas territories, repeatedly went to war with one another, - an on-going mutually-destructive process which has continued from before Adam Smith's time through to the present era.(PK) Such activity, stemming from the excessive zeal of upper-echelon traders seeking unearned rewards from stolen resources and war, deserves both legal and moral condemnation, but being government-sanctioned, no early solution presents. Indeed, making it more intractable are the lures of national war-debt financing and religious corruptions that favour war's acceptance as not only 'justified', but 'sanctified'.

Thus a major source of the problem is monopoly, the ability of business to take unfair advantage over others, their rightful competitors, and the willingness of governments to support such injustice. Indeed, in terms of its effects, - injustice, poverty and war, its radiating evils are frequently of the greatest magnitude and horror. Moreover, because ultimately such corruption backfires, threatening economic stability and the lives of all, it is vitally important that it be arrested as soon as possible. For, currently we humans are on the brink, surrounded by many chasms, urgent crises related to our financial and other corruptions, grossly assaulted environments, resource depletion, overpopulation, distorted human relations, poisoned international relations, resource wars, quasi racial and religious wars, - all essentially because our trade and finance relationships remain so deeply mired. Furthermore, should our confused, less-than-sane inaction continue, any of these issues could get totally out of hand, - beyond the point of no-return.

A final point to stress is that underlying all the illogical, misguided activity is a business world that literally is still, 'sticking to its guns', continuing to rely on an utterly flawed 'economics' which, to appear both 'traditional' and 'respectable', claims to have originated with Adam Smith. And this, despite the fact that in it's essential features as practiced 'at the top', it so very closely resembles the mercantile system clearly exposed and emphatically rejected by Smith in *Wealth of Nations*.(IB4 for references)

Accordingly, it is intended here to review historical and other evidence for the above statements, to indicate dire consequences for our species (along with many others) should humanity allow the present trends to continue, and then to include proposals from various sources which may point in the right direction. But first, a brief look at the present state of the world's financial downturns and concurrent military entanglements, with examples mainly from the United States, the leading

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Western world economy followed by most nations.

Current Financial Failures, Moral and Military Corruption: What to Do?

Like many across the world we may well see the paucity of serious discussion about the root causes of the current economic, societal and military chaos as very strange indeed. For, if these failures of our man-made trading/business and social systems in the US and beyond are not fully investigated, and far better understood, there'll be scant chance of proper cure. Nevertheless, there may be hope, since what enlightened economists, James K. Galbraith, Joseph Stiglitz, Jeffrey Sachs, Ross Garnaut and others have reported concerning the origins of the present profound trading and financial corruption across much of the Christian Western business world is so highly illuminating, it offers great promise for the urgently-needed sustainable solutions.(JaKG1- 4 ; JKG1-2 ; JES1 ; JES&LB ; JSa1 ; JSa3 ; JSa4 ; RG_LS ; AS ; ER&AS ; DK1 ; DK2 ; DK3)

For, what these economists (and many others) have exposed is a gigantic human failure in economic, political and moral responsibility, a torrent of corruption which has allowed particular sectors of the business world to upwardly 'siphon' wealth from society's 'lower orders' into the coffers of it's 'top 1%' on an absolutely gigantic scale. Indeed, aided by inflated asset-value bubbles and a wide-range of other rent-seeking scams, the vast wealth extracted has caused market collapse through precipitous drops in demand. And that despite peoples' ongoing urgent needs, - their means to satisfy having been stolen.

Add to that we see, in linked zones of corruption, ongoing military efforts aimed at control of the Earth's finite resources and markets, another major problem in urgent need of control. And yet, despite such gigantic challenges to our world, in all democracies there remains still available that key principle for overcoming such corruption, namely to re-configure our trading and financial regimes into honest versions that ensure *everyone's* interests by protecting the common welfare. Indeed, this feature is an absolute pre-condition not only for the sustainability of the economic trading system itself, but for the health of our natural environment, the peace of the world and the survival of the human and other species, – and hence as Stiglitz puts it, our own *"....ultimate well-being"*. (JES1, 52-82, 288, 397)

Looking Back to Adam Smith

So, at this point let us look back towards Adam Smith to gain a clearer perspective by discovering how others have understood the origins, - the very foundations of the Western world's combative business system, its instability, unsustainability, market failures, depressions, international crises and wars.

First, to John Kenneth Galbraith's *"The Great Crash 1929"* to see how similar that Great Depression's origins were to today's giant market failures. For

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example, *"In 1929 .... five percent of the population with the highest incomes in that year received approximately one third of all personal income. …… The fact was that American enterprise in the twenties had opened its hospitable arms to an exceptional number of promoters, grafters, swindlers, impostors, and frauds. This, in the long history of such activities, was a kind of flood tide of corporate larceny."*(JKG2,195) In it's final chapter, '*Cause and Consequence',* Galbraith's goes on to explain how this 1920s market, - grossly unbalanced via its unjustly low (c.f., excessive) remunerations, came undone. *"Throughout the twenties production and output per worker grew steadily: between 1919 and 1929, output per worker in manufacturing industries increased by about forty-three per cent. Wages, salaries, and prices… underwent no comparable increase. Accordingly, costs fell and with prices the same, profits increased. These profits sustained the spending of the well-to-do,…. Most of all they encouraged a very high level of capital investment. During the twenties, the production of capital goods increased at an average annual rate of 6.4 per cent a year; … A large and increasing investment in capital goods was in other words a principal device by which the profits were being spent. It follows that anything that interrupted the investment outlays – anything, indeed, which kept them from showing the necessary rate of increase - could cause trouble.* (JKG2, 192, 193) Accordingly, high capital goods investment resulting in the causative 'overproduction' of 'surplus' produce, - well beyond 'effective demand'.

Now, to another highly insightful economist, John A. Hobson (1858-1940) one scorned by the pre-WW1 self-described Imperialists of his day. For Hobson's case was that throughout the 19th century, Europe's burgeoning industrial/cum agrarian capacity could easily have supported its own populations with all material needs via a cooperative, self-rejuvenating domestic market system. However, because that would have required a far fairer level of remuneration of the lower orders of industrial and service workers, sufficient to provide broadly-based effective demand for domestic production, this was rejected. So, just like their forebears, faced with ever-expanding homeland production, Europe's leaders opted to prevent market failure from 'over-production' (c.f., Hobson's "under-consumption" failure) via greatly increased overseas trade.

However, as long carried out by Europe's colonizing powers, that mercantile activity continued to injure the people of other lands, for although exporting produce could make sense, the on-going forced acquisition of foreign lands and their peoples did not. In other words, aiming to circumvent the market failure problem led to land-grabbing and other injustices of the worst kind. Moreover, by 1902, observing the consequent aggressive trade competition and war between rival Imperial Powers contending for the same overseas territories and markets, Hobson could see ahead the final tragedy of a catastrophic European conflict, WWI. Thus, *"In any event Imperialism makes for war and for militarism, and has brought a great and limitless increase of expenditure of national resources upon armaments. It has impaired the independence of every nation which has*

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yielded to its false glamour. Great Britain no longer possesses a million pounds which it can call its own; its entire financial resources are mortgaged to a policy to be dictated by Germany, France, or Russia. A move from any of these Powers can force us to expend upon more battleships and military preparations the money we had designed to use for domestic purposes. The priority and reckless magnitude of our imperial expansion has made the danger of an armed coalition of great Powers against us no idle chimera."(JH,138; see also PK)

Now, let us turn to moral philosopher/pioneer economist Adam Smith (1723-1790) whose wisdom on matters of social justice, the economy, its corruptions and war, - including its motivations, is quite remarkable. For had Smith been heeded, that could easily have saved Europe along with the rest of the West from itself. Significantly, Smith gave great attention to the issue of self regard in the context of mutual concern towards others, such providing critically important insights when it came to understanding what would really work and thus remain sustainable. Intuitively, he understood that willing cooperation with others had been a prime condition of our species' survival through its millions of years of evolution, a view which informed his concerns for a fair-trading economy that would strengthen human bonds and friendships within and between societies across the world.(AS_WN, IV.7.166; JD; RW ; IB4)

At the same time Smith was well aware of and greatly perturbed by the gross corruptions which had followed the birth of agriculture with its development of surpluses, societal stratifications and land struggles between individuals and societies. For that situation had allowed self-appointed land grabbers to proclaim unjust 'laws' to control 'their' land along with all its resources, - people included. Accordingly, Smith well understood how, historically, society's 'rules', whether written law, or 'convention', had always been initiated and implemented by the very beneficiaries of same. Thus he fully appreciated how *".... in the age of shepherds, in the second period of society, that the inequality of fortune first begins to take place, and introduces among men a degree of authority and subordination which could not possibly exist before. …… The rich, in particular, are necessarily interested to support that order of things which can alone secure them in the possession of their own advantages. .... They constitute a sort of little nobility, who feel themselves interested to defend the property and to support the authority of their own little sovereign in order that he may be able to defend their property and to support their authority. Civil government, so far as it is instituted for the security of property, is in reality instituted for the defence of the rich against the poor, or of those who have some property against those who have none at all."* (AS_WN, V.1.55; AS_WN, III.2.6; IB4, 4-7; JD; RW; DD1)

Yet, in contrast to the historical injustice of the forced acquisition of land (original source of all subsistence, wealth) Smith could also see all about him how the vast majority of ordinary folk happily exchanged articles/services of value between one another in an equitable manner, equal value of goods or

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services exchanged being freely agreed to. And, as he stressed, the satisfaction thus gained by both parties frequently led to those bonds of mutual confidence and friendship that gave rise to the original conception of 'free trade', what should have applied within and between all free and just societies. Accordingly, Smith was greatly concerned to have the universal needs of those who had only their labour (or other service) to exchange, were fully acknowledged via an equivalent return. For example, concerning some recent economic improvement, Smith writes, *"Is this improvement in the circumstances of the lower ranks of the people to be regarded as an advantage or as an inconveniency to the society? The answer seems at first sight abundantly plain. Servants, labourers and workmen of different kinds, make up the far greater part of every great political society. But what improves the circumstances of the greater part can never be regarded as an inconveniency to the whole. No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable. It is but equity, besides, that they who feed, cloath and lodge the whole body of the people, should have such a share of the produce of their own labour as to be themselves tolerably well fed, cloathed and lodged."* (AS_WN, I.8.35)

Mercantile Monopolies: Sources of Corruption, Injustice and Wars

However, in contrast to the cooperative equal-value exchanges of ordinary folk, what Smith observed across European society's upper crust 'mercantile system', was very different. For, common to all were schemes contrived to favour particular societal sectors (his 'exclusive companies of merchants and manufacturers') at the expense of all other citizens lower down the scale. In these 'exclusive' businesses, Smith's special concern was their capacity to engineer government-authorized monopoly status. Being prominent in society's upper strata, such exclusive companies successfully lobbied for legal protection against the normal price-limiting competition of trade. Indeed, this frequently resulted in a 'Royal Charter', such as those providing monopoly status to many already powerful overseas trading companies, like the East India Company, the Dutch East India, the Muscovy (or Russia Company), the Royal African, etc., such Charters granting simply outrageous 'legal', policing, and military powers over the land, people and property of many overseas countries.

But note, in the first instance those disadvantaged were their fellow citizens, their domestic competitors, - together with all others in the home country. Then, likewise so, the competing traders from foreign countries, - and of course the colonized people where the exporter's power held sway. Moreover, as Smith stressed, monopolies, spurning competition, were not only unjust across their domestic and competing foreign populations, but were inefficient overall, since their net effect was to shrink the wealth available to all parties. Thus, *"All the original sources of revenue, the wages of labour, the rent of land, and the profits of stock, the monopoly renders much less abundant than they otherwise would be. To promote the little interest of one little order of men in one country, it hurts the*

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interest of all other orders of men in that country, and of all men in all other countries." (AS_WN, IV.7.146)

Further, a central aim of monopolies was to manufacture and sell as much merchandise as possible, and (regardless of its nature) by whatever means. As Smith put it, *"It cannot be very difficult to determine who have been the contrivers of this whole mercantile system; not the consumers, we may believe, whose interest has been entirely neglected; but the producers, whose interest has been so carefully attended to; and among this latter class our merchants and manufacturers have been by far the principal architects. In the mercantile regulations, which have been taken notice of in this chapter, the interest of our manufacturers has been most peculiarly attended to; and the interest, not so much of the consumers, as that of some other sets of producers, has been sacrificed to it."* (AS_WN, IV.8.54)

And since these exclusive European trading companies set up businesses in many foreign countries, the 'rights' specified by Royal Charters or other 'laws', had the most far-reaching harmful effects on vast populations across the world. For example, not long after Columbus' 1492 discovery of the Americas, Spain's utterly corrupt incursions across the Caribbean, Central and South America, had catastrophic results on their indigenous peoples. Indeed, as Smith saw that intrusion, *"In consequence of the representations of Columbus, the council of Castile determined to take possession of countries of which the inhabitants were plainly incapable of defending themselves. The pious purpose of converting them to Christianity sanctified the injustice of the project. But the hope of finding treasures of gold there was the sole motive which prompted him to undertake it; and to give this motive the greater weight, it was proposed by Columbus that the half of all the gold and silver that should be found there should belong to the crown. This proposal was approved of by the council*." (AS_WN, IV.7.15)

And as he later noted, *"Folly and injustice seem to have been the principles which presided over and directed the first project of establishing those colonies; the folly of hunting after gold and silver mines, and the injustice of coveting the possession of a country whose harmless natives, far from having ever injured the people of Europe, had received the first adventurers with every mark of kindness and hospitality."* (AS_WN, IV.7.81; BC)

Of course such larceny of gold and silver was more than bad enough, yet it was just the beginning of the worst imaginable cruelties and injustices perpetrated as international 'business'. For what the invaders then demanded of the indigenous American folk was their slavery to mine and transport the valuable treasure to ships for transport back to Spain. But then the resulting close contact with the invaders soon brought European disease to which these natives had no immunity. Consequently, the soon-decimated American slaves used by the Spanish were replaced by Africans, men women and children transported from West Africa in

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their hundreds of thousands, - eventually millions. Indeed, this African trafficking grew remarkably, expanded hugely due to insatiable demands for slaves to grow and harvest sugar, tobacco, cotton, rice and other plantation cash-crops for trade back to Europe, - a prodigiously lucrative business that supported Europe's industrial/economic expansion and wealth over the following 300 years. (UNESCO; USI)

And, even although its clearly expressed prime aim was allegedly the sharing of the Christian faith with native peoples, the seeding idea for slavery may have been integral to Pope Alexander VI's 1493 bull, *Inter Caetera* that awarded Spain all American territories. In any event, as later bulls, especially Nicholas V's *Romanus Pontifex* (triggered by the recent Muslim Saracen conquest of Constantinople) would show, motivation to engulf territories occupied by Saracens and others, included Portugal's King Alfonso's right of control to the point of perpetual enslavement of *all* 'non-believers' as follows,
"We weighing all and singular the premises with due meditation, and noting that since we had formerly by other letters of ours granted among other things free and ample faculty to the aforesaid King Alfonso -- to invade, search out, capture, vanquish, and subdue all Saracens and pagans whatsoever, and other enemies of Christ wheresoever placed, and the kingdoms, dukedoms, principalities, dominions, possessions, and all movable and immovable goods whatsoever held and possessed by them and to reduce their persons to perpetual slavery, and to apply and appropriate to himself and his successors the kingdoms, dukedoms, counties, principalities, dominions, possessions, and goods, and to convert them to his and their use and profit -- by having secured the said faculty, the said King Alfonso, or, by his authority, the aforesaid infante, justly and lawfully has acquired and possessed, and doth possess, these islands, lands, harbors, and seas, and they do of right belong and pertain to the said King Alfonso and his successors".
http://www.romancatholicism.org/popes-slavery.html

However, as Smith recognized, although Spain and Portugal had thus 'led the way', it was not long before Europe's other maritime powers, *"the English, French, Dutch, Danes and Swedes"* followed (AS_WN, IV.7.31) – each driven by the same self-serving greed of master-merchants and monarchs in the aggressively competitive spirit of the time. Indeed, it was a spirit that misled all these nations into both the massive African slave trade and limitless dreams of Empire, - their colonial ambitions via the 'acquisition' of more and more foreign lands, resources and peoples. And all this corruption greatly encouraged through the exclusive companies' governments, via their Royal and other charters.

Further, as must have been foreseen, since each government-backed company's efforts to dominate others' lands would be challenged by other nations' similarly-backed companies, it was inevitable that the common outcome would be aggressive confrontation and mutually-destructive wars between Europe's

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‘Christian’ powers themselves. Accordingly, that is what came to pass, initially the never-ending series of wars of the 17th and 18th centuries, and then the ongoing extended series which eventually culminated in the catastrophic First and Second World Wars, - and subsequent wars to the present day. (e.g., AS_WN; JH ; PK; JES&LB ; JSa3 ; JSa4 ; MG1; MG2; MG3; IB1; IB2; IB3; IB4 ; IB5 ; IB7)

Now, again it must be emphasized that the above-described behaviour was completely at odds with that advocated by moral philosopher and pioneer economist, Adam Smith, who (contrary to still-current wishful-thinking doctrine) was in no sense an advocate of business world greed, not to mention kleptomaniac land acquisition, exploitation, cruelty and war. For, realizing just how such greed led not only to reduced cooperation in all spheres and diminution of the world’s aggregate wealth through monopoly-generated inefficiencies, but to those competitive trade tensions that misled Europe’s nations into wasteful counter-productive wars, Smith warned, *“…nations have been taught that their interest consisted in beggaring all their neighbours. Each nation has been made to look with an invidious eye upon the prosperity of all the nations with which it trades, and to consider their gain as its own loss. Commerce, which ought naturally to be, among nations, as among individuals, a bond of union and friendship, has become the most fertile source of discord and animosity. The capricious ambition of kings and ministers has not, during the present and the preceding century, been more fatal to the repose of Europe than the impertinent jealousy of merchants and manufacturers....”.* (AS_WN, IV.3. 38)

Indeed, for Europe and the rest of the world, the resulting series of 18th century and subsequent wars were to have profound effects, not only on the health and well-being of *all* directly involved in those conflicts but through mounting war debt, by reducing each nation’s wealth. Thus, citing Britain as an example, Smith documents the series of 18th century wars it had with trade competitors and the consequent war-by-war growth in its ‘perpetual’ public indebtedness, a full ten-fold increase over 74 years! (AS_WN, V.3.42-45; AS_WN, IV.7.151 ; IB4, 24-25 ; & c.f. JES&LB; ET ; and PK, 98-111)

Yet, one might imagine that Britain’s ‘exclusive merchant’ class of leaders would have felt sorely burdened by such ever-expanding ‘perpetual debt’, recognized their responsibility, then taken prompt action to stop it? But that would be to misunderstand the realities, Smith explaining, *“The necessities of the state render government upon most occasions willing to borrow upon terms extremely advantageous to the lender. ……. The merchant or monied man makes money by lending money to government, and instead of diminishing, increases his trading capital.”*(AS_WN,V.3.7) *….. In England, the seat of government being in the greatest mercantile city in the world, the merchants are generally the people who advance money to government. By advancing it they do not mean to diminish, but, on the contrary, to increase their mercantile capitals, …..”* (AS_WN, V.3.35) *“The ordinary expence of the greater part of modern*

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governments in time of peace being equal or nearly equal to their ordinary revenue, when war comes they are both unwilling and unable to increase their revenue in proportion to the increase of their expence. ..... By means of borrowing they are enabled, with a very moderate increase of taxes, to raise, from year to year, money sufficient for carrying on the war, and by the practice of perpetually funding they are enabled, with the smallest possible increase of taxes, to raise annually the largest possible sum of money. In great empires the people who live in the capital, and in the provinces remote from the scene of action, feel, many of them, scarce any inconveniency from the war; but enjoy, at their ease, the amusement of reading in the newspapers the exploits of their own fleets and armies. To them this amusement compensates the small difference between the taxes which they pay on account of the war, and those which they had been accustomed to pay in time of peace. They are commonly dissatisfied with the return of peace, which puts an end to their amusement, and to a thousand visionary hopes of conquest and national glory from a longer continuance of the war." (AS_WN, V.3.37)

This makes clear Smith's views on a key aspect of the exclusive merchants' motivations for overseas wars, - wars clearly unrelated to defending the homeland. And, that, together with motives connected to a variety of unjust gains from the colonization of foreign lands, added up to a very ugly prospect, one boding ill for any long-term peace across Europe itself, - as well as for Europe's future relations with the rest of the world. Indeed, the resultant type of behaviour became deeply entrenched, it strongly persisting in various elaborations to this day. Yet, as the following quotation shows, Smith clearly recognized the enormous potential, indeed, the *unique* opportunity that exploration and trade provided, not only *"to relieve one another's wants and enjoyments"* but, via enlightened trading interactions, to create confidence, cement friendships and promote cooperation across the world as the way to advance humanity's cultural evolution in ever more positive ways. At the same time, however, he well understood that that would be possible *only* if there was a far juster and fairer approach by those monarchs, bureaucrats and businessmen responsible for Europe's foreign engagements and trade.

Thus, as Smith understood the situation, *"The discovery of America, and that of a passage to the East Indies by the Cape of Good Hope, are the two greatest and most important events recorded in the history of mankind. ……. What benefits or what misfortunes to mankind may hereafter result from those great events, no human wisdom can foresee. By uniting, in some measure, the most distant parts of the world, by enabling them to relieve one another's wants, to increase one another's enjoyments, and to encourage one another's industry, their general tendency would seem to be beneficial. To the natives however, both of the East and West Indies, all the commercial benefits which can have resulted from those events have been sunk and lost in the dreadful misfortunes which they have occasioned. ..... At the particular time when these discoveries were made, the*

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superiority of force happened to be so great on the side of the Europeans that they were enabled to commit with impunity every sort of injustice in those remote countries. Hereafter, perhaps, the natives of those countries may grow stronger, or those of Europe may grow weaker, and the inhabitants of all the different quarters of the world may arrive at that equality of courage and force which, by inspiring mutual fear, can alone overawe the injustice of independent nations into some sort of respect for the rights of one another. But nothing seems more likely to establish this equality of force than that mutual communication of knowledge and of all sorts of improvements which an extensive commerce from all countries to all countries naturally, or rather necessarily, carries along with it." (AS_WN, IV.7.166)

That final plea by Smith, expressing his earnest hopes that *an extensive commerce from all countries to all countries,* carried out in the right spirit could in reality provide the necessary *equality of force* for the attainment of a cooperative trade-bonded peaceful world, emphasizes the urgent need of our times, namely, to put his challenge to the test. For, clearly, this has yet to occur. Indeed, as we know, ever since Smith's time not only has the Western business world maintained its 'mercantile' trading system essentially unchanged, but sectors of that business world have gone to very great lengths to obfuscate the reality of Smith's messages into a highly corrupt fictional misrepresentation of his *Wealth of Nations* that would make of him the strongest advocate of 'winner takes all', an enthusiastic justifier of 'anything goes that's profitable'. Accordingly, just as Smith was fully aware, we too should bear in mind the following.

First, long before Smith was born, Europe's maritime powers of the 16th and 17th centuries were involved in far-reaching explorations of foreign coastlines, East and West, setting up trading posts which soon became territorial claims. And such activity was led by adventurers ('privateers') who behaved aggressively competitive, - attacking and looting one another's ships. Thus, a great deal of wealth was accumulated, including much gold, silver and slaves pirated from the Spanish. As a result, wealthy free-booters like John Hawkins and Francis Drake attracted many influential backers, including Elizabeth I. Here, I emphasize the character of early 'international trade' in the mercantile style, as it came to be understood, a trade which from its origins was not meant to be fair, but via ruthless determination, exploitation and war, extremely profitable. (JKG1, 40-44 ; SR)

Secondly, as Smith also recognized, since the mercantile system's 'big operators' of his time came from the same background, he could have little expectation that *its* trade would be fair. Moreover, he well understood that the upper sectors of Europe's merchant world had engineered self-serving 'national interest' concessions, such as their companies' monopoly status, - like that of the Honourable East India Company, granted by Queen Elizabeth I in 1600. Thus,

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the sort of mercantile behaviour Smith's writings profoundly objected to had, with the backing of government and royalty, been around for a very long time, so he would have had no false expectations of an early turn-around.

Yet, what Smith's writings did accomplish - and most effectively, - was to document the glaring injustices of the mercantile system while at the same time indicating a re-designed 'fair trade' version that could guide societies along a cultural evolutionary pathway towards universal justice. (JSa1, L5 ; JSa3 ; JSa5 ; MY_KW; JSch; JKG1, 59-61, 71-72 ; DK1) For example, doing away with monopolies would increase the total pool of wealth, while simultaneously making it more widely available. So, not only might the market serve everyone in a just and sustainable way, but with all traders satisfied and human bonds cemented both domestically and internationally, international wars would be universally spurned, thus allowing a peaceful world to emerge.

However, as we have seen, none of that became a reality during Smith's lifetime, the existing mercantile ways continuing essentially unchanged. Indeed, although following publication his *Wealth of Nations* it had been well received and read, Smith's clear messages about the urgent need for reforms did nothing to alter upper echelon business attitudes or practices. Further, as the historical record reflects, none of the key economic features advocated by Smith have subsequently been implemented across that upper level Western business world.

Indeed, that world appears ever since to have hung on to essentially the same mind-set when it comes to fairness and level playing fields, the consequence being the continuation of market instability, periodic depressions, progressively growing inequities, international tensions and wars. Added to this, today we have this corrupt system's accelerating assaults on the world's finely-balanced environments. So, with such at stake it is clearly high time that in the interests of our children, our grandchildren and indeed *all* children across the world, we take urgent action to put our trading, financial markets and thinking into the just order Smith advocated, before it is too late.

For, all along Smith had been well aware of the nature of world developments since the earliest of times, including the history of Rome's decline and fall, he being a close acquaintance of Edward Gibbon. Accordingly, recognizing the nature of the problems of his day. Smith sought to provide Europe's leaders the opportunity to radically transform their mercantile system so that all sectors of society would become far better off. However, as time passed, he may well have realized that those leaders, remaining fully satisfied with things as they were, had failed to foresee the inevitably counter-productive consequences of such inaction.

So, let us recall what in early 1945 Churchill, who gave much time to reflecting on war, had to say about the outcomes of both World War I and World War II: *"One day President Roosevelt told me that he was asking publicly for suggestions*

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about what the war should be called. I said at once "the unnecessary war." There never was a war more easy to stop than that which has just wrecked what was left of the world from the previous struggle." (WC5i, - see Preface, p.xiv)

Now, those remarks reflect not only the nation-wrecking catastrophic outcomes of WWI, but the subsequent war-generating effects of Europe's mismanagement of its unstable economies which, bordering on total collapse during the Great Depression, induced its political and business leaders to back Hitler as their would-be 'saviour'. Churchill strongly disagreed, recognizing Hitler's aim as unlimited world domination, the result being WWII, *"the unnecessary war"*. Clear evidence for that conclusion is detailed in Churchill's *"The Gathering Storm",* volume 1 of his WW2 history series.(WC5i)

Moving Towards the Present Era

As we move towards present times let us consider what opportunities there were to make necessary reforms to head off a truly catastrophic 'no winners' end point, - 'all at war without end' and the Natural environment effectively destroyed. Accordingly, in attempting to make clearer the nature of the problems still to be overcome today, I shall outline the origins of World War I as the logical outcome of the mercantile system's combative approach to unfettered economic competition between expanding Empires. For, as quoted in Michael Howard's *Empire, Race and War* (in his *The Lessons of History*), in Barbara Tuchman's *The Proud Tower,* and in Ian Hamilton's *Gallipoli Diary*, ideas current in pre-1914 Europe make it all too clear that in the struggle for supremacy, Europe's already economically-contending powers saw the ultimate necessity, even desirability, of extending that contest to the field of war.

Just one example: America's highly influential Captain Mahan, later Admiral Mahan, author of *The Moral Aspect of War*, was totally enthusiastic on this point, as well as on his corrupted understanding of 'Christianity', he seeing 'honest collision' between the nations as an heroic ideal, 'a law of progress', and further maintaining that, *"No greater misfortune could well happen than that civilised nations should abandon their preparations for war and take to arbitration. The outside barbarians are many. They will readily assimilate our material advance, but how long will it take them to reach the spirit which it has taken Christianity two thousand years."*(ATM, 446 ; MH, 63-80 ; BT1, 248-50 ; IH ; KP ; GG) Some spirit!

Then I will consider how at the end of that utterly tragic war, a prime lesson which should have guided the war's 'victors' (its outcomes catastrophic for *all* initially-involved states) was completely overlooked, they being absolutely set on proceeding in a traditionally 'victorious', 'business as usual' fashion. Next, to say something about how the hopes and promises of the eventual Peace and subsequent Depression were corrupted through leadership's intense fears of their economic insecurity. And then how those fears, together with their even deeper

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fears of a communist 'virus', led to the utter betrayal of the peace by going all the way with Hitler's wishes, - until too late, that course culminating in WWII. And finally, to examine the effect of the US involvement in the Second World War, the nature of its economic rescue from the Depression, and finally to consider the consequences of several of WW2's final outcomes, the highly inappropriate and universally life-threatening gamble used to deal with them, resultant ever-expanding problems, - and some possible remedies.

Europe in the Lead-up to WWI

Searching the 19th century to consider the dismal outcomes of its later wars and uprisings, like the Crimean, Indian Mutiny, and South African ('Boer') war, one might have hoped that through such experiences, Europe's leaders would have come to understand the truly significant mutual advantages of fair trade via a Smithian model, done away with its own monopolies, colonies, wars and other forms of mercantile corruption and, even if they felt they just 'had' to declare a 'winner', allowed the outcome of pure non-combative economic competition to be the contest's final arbiter.(AN ; WC2 ; BT1)

However, let's examine the background to the chosen alternative from the ongoing powerful urges to 'Great Power ascendency' in the lead-up to WW1.(IB1,1,A,B,C) Since all original combatant states claimed to share the same 'Christian' religion and 'Capitalist' economies, the only issue should have been: which European Power would shine economically above all others. Yet, we know how, for centuries, corrupt mercantile practices had misled Europe's states into vieing with one another for such dominance not only in trade, but in colony acquisition and military power. And even worse, how for private gain and personal glory they had exploited foreign lands and peoples, then fought with one another, - their Imperial competitors, for control over the colonial spoils. In other words, historically, since even before the time of Adam Smith it was precisely through this hideously distorted version of competitive trade and commerce, it always ended up that the 'final arbiter' was the contest of military power.(AS_WN, IV.3.38)

Yet, What Might have 'Saved the Day'? Sanity? Christian Intervention?

After all, there had appeared to be hopeful signs, even from politicians like Winston Churchill who in his 1901 House of Commons Maiden Speech warned his colleagues of the extreme folly of even thinking about Britain's involvement in a European war between its highly-industrialized states. For as he stressed, *"We must not regard war with a modern power as a kind of game in which we may take a hand, and with good luck may come safe home with our winnings... I have frequently been astonished since I have been in this House to hear with what composure and how glibly members, and even ministers, talk of a European war... But now, when mighty populations are impelled on each other... when the*

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resources of science and civilisation sweep away everything that might mitigate their fury, a European war can only end in the ruin of the vanquished and the scarcely less fatal commercial dislocation of the conquerors... We do not know what war is. We have had a glimpse of it in South Africa. Even in miniature it is hideous and appalling." (MG2, 51-52 ; c.f.,WC2, 362-3 ; WC4, 17, 30-31 ; WC5i, xiv, 123-131, 335-337)

Moreover, it had appeared even more encouraging when Britain's Liberals gained a landslide victory in 1906, they being numerically dominated by Liberal Radicals including David Lloyd George and Winston Churchill who for a time, influenced by progressive changes towards social justice in Germany, made it look as though the Liberals might focus on putting their nation's 'house in order'. Here I quote from *"The Spirit of the Budget"* speech Churchill made to his constituents in 1909:

"*The social conditions of the British people in the early years of the twentieth century cannot be contemplated without deep anxiety. .... We are at the cross-ways. If we stand on in the old happy-go-lucky way, the richer classes ever growing in wealth and in number, and ever declining in responsibility, the very poor remaining plunged or plunging even deeper into helpless, hopeless misery, then I think there is nothing before us but savage strife between class and class,..*

"Now we have had over here lately colonial editors from all the Colonies of the British Empire, and what is the opinion which they expressed as to the worst thing they saw in the old country? ... Is it not impressive to find that they are all agreed, coming as they do from Australia, or Canada, ... that the greatest danger to the British Empire and to the British people is not to be found among the enormous fleets and armies of the European Continent, nor in the solemn problems of Hindustan; …….etc.

"No, it is here in our midst, ... in the vast growing cities of England and Scotland, and in the dwindling and cramped villages of our denuded countryside. It is there you will find the seeds of Imperial ruin and national decay—the unnatural gap between rich and poor, the divorce of the people from the land, ... the exploitation of boy labour, the physical degeneration which seems to follow so swiftly on civilized poverty, the awful jumbles of an obsolete Poor Law, ... the absence of any established minimum standard of life and comfort among the workers, and, at the other end, the swift increase of vulgar, joyless luxury—here are the enemies of Britain. Beware lest they shatter the foundations of her power."(WC2, 362-3)

That sounds wonderfully insightful but the vagaries of personality can be extraordinarily misleading, for within two years Churchill had become the Admiralty's First Lord, immediately bent on the task of preparing for the war that many at the top 'just knew' was coming. Accordingly, despite Churchill's

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profoundly moving warning of 1901, the highly ambitious Imperial Powers of Europe had continued preparing for the war they 'understood' was soon to come, - their ultimate way 'to prevail'. But, as we now know, it turned out to be the war that, powered by their insane arms accumulations, ended up being hideously destructive, - its very occurrence even more certain due to the 'Security Alliances' that finally trapped them into that mutual holocaust. (MG2, 51-2 ; WC4, 30-1; JFK1 ; LG ; MG2 ; BT1 ; BT2 ; BT3 ; GG).

Remarkably, too, within a few years of his highly insightful 1909 speech, Winston Churchill on the very eve of WWI (as documented by son Randolph) wrote to his wife, *"Everything tends towards catastrophe and collapse. I'm interested, geared up & happy. Is it not horrible to be built like that? The preparations have a hideous fascination for me. I pray to God to forgive me for such fearful moods of levity. Yet I wd do my best for peace, and nothing wd induce me wrongfully to strike the blow. I cannot feel that we in this island are in any serious degree responsible for this wave of madness which has swept the mind of Christendom. No one can measure the consequences. I wondered whether those stupid Kings & Emperors cd not assemble together & revivify kingship by saving the nations from hell but we all drift on in a kind of dull cataleptic trance. As if it was somebody else's operation."* (WC1)

Now such contrasts aside, its important to deal with the implications of Churchill's reference to *"...this wave of madness which has swept the mind of Christendom.*" for it reminds us that all initial combative nations in WWI were avowedly Christian and thus 'must have' followed the ethical teachings of Jesus of Nazareth. Indeed, for those nations it should have been absolutely unthinkable to engage in any war, - especially with other Christian nations, - on any grounds and most certainly not on 'one-up' competitive trade issues. And let us recall that Jesus himself, conversant with the ways of the Roman Imperial power, knew that opposing violence in any form under Rome (e.g. Palestinian revolt) was not an option and he was ever intent on saving his compatriots from mindless challenges. For not only would such fail but the inevitable Roman response would be the usual hideous cruelties.

Thus for European Christian leaders to even think about setting their nation's military forces to fight one another would seem incomprehensible, totally unbelievable. And yet we know that historically, such is exactly what had happened between Europe's so-called 'Christian' states for centuries, - including long before the days of Adam Smith.(PK ; GD, 47-52) Hence the title of the present essay which treats both current 'economics' and 'Christianity' (as 'adopted' in society's 'top' levels) as grossly corrupted versions. For the extremely unjust mercantile system that Smith so roundly condemned (clearly what we have inherited) was not only immoral and anti-Christian, but unjust in its widely disparate rewards, its monopolizing, invasions, exploitations and wars. And, as for Christianity, there is no way that true believers in Jesus of Nazareth could

possibly go to war with one another, any more that they could have truly believed that their Christian God would support 'both sides' simultaneously.* Moreover, given the Church's central beliefs in Christian doctrine as binding, Jesus' place in the Holy Trinity would disallow his moral teachings to be over-ridden or played down by mere temporal beings, be they Emperors, Kings, Judges, Popes, Archbishops, Prime Ministers, Generals, - nor even Admiral Mahan!(ATM)

*As an aside here, one must stress that there were better-informed courageous Christians, like Melbourne's Catholic Archbishop, Daniel Mannix who in 1914 went on public record proclaiming WWI to be "a sordid trade war", - or as he later characterized it just as aptly, "an ordinary trade war". Flatly denied of course, yet in 1916, no less than Australia's Prime Minister, W.M.Hughes, made the truth of that claim altogether clear during his 1916 war-rousing speeches to the British people.(WH ; JK ; JMK1)

How best then to interpret the above strange religious contradictions? Well, we know that although as an Empire, Rome regarded Christianity as a nuisance and Jesus a trouble-maker, and yet that under Constantine 'Christianity' was added as an allowable religion. And, how later, through the centuries, Christianity became the official religion of most European nations, each church developing its unique set of doctrines, *some* of which were based on the teachings of Jesus. Also that, over time those churches generated doctrines to 'justify' practices which appeared totally contrary to 'the spirit of Jesus of Nazareth', e.g., human sacrifice, war, slavery, the class structure, indeed all manner of societal injustices suiting those in positions of power.(BT3, 59-144 ; PdR) In short it appears abundantly clear that to a very large extent the influence of Jesus' messages to the world had long been overtaken and submerged, effectively lost within its power politics.

Indeed, here I see a close parallel to the treatment of Adam Smith, that other quite extraordinarily wonderful person who, although he advocated the very wisest humane courses of conduct consistent with generalized human welfare (not elitist, altogether inclusive) has long had his teachings systematically subverted and distorted into their opposites.(GK ; NP ; DK1) And never convincingly, for the allegedly clinching 'invisible hand', mentioned only twice in his books, which can readily be interpreted as indicating one's 'instinct', - (sincere feelings about the most sensible actions favouring fairness and species' survival) - referred to a preference for domestic markets which, being close to home and best understood, were the most secure and reliable. Hence, well favoured over those overseas.(AS_WN, IV.2.9 ; see Addendum 3)

Realities of WWI's Outcomes

As we now know, the catastrophic end result of WWI was over 4 years of extraordinarily tragic counter-productive war through which all original

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combatant countries came out great losers, - very much for the worse. To emphasize the mutuality of Europe's self defeat, let me quote from Churchill's *The Aftermath,* (1944) where he states that when WW1 was all over, *"Every victorious country subsided to its old levels and previous arrangements; .... The boundless hopes that had cheered the soldiers and the peoples ....died swiftly away. The vision of a sunlit world redeemed by valour, ... Where Justice and Freedom reigned .. was soon replaced by cold, grey reality. How could it have been otherwise? By what process could the slaughter of ten million men and the destruction of one-third of the entire savings of the greatest nations of the world have ushered in a Golden Age? A cruel disillusionment was at hand .... . All ... were looking forward to some great expansion, and there lay before them but a sharp contraction; a contraction in the material conditions for the masses; .....".* Churchill then concluding with, *"...the contrast between the victors and the vanquished tended continually to diminish." …… "Through all its five acts the drama has run its course; the light of history is switched off, the world stage dims, the actors shrivel, the chorus sinks. The war of the giants has ended; the quarrels of the pygmies have begun."*(WC4, 30,31; c.f., LG)

And to complement the above frank description with more realities, I quote from historian Paul Kennedy's classic, *"The Rise and Fall of the Great Powers: Economic Change and Military Conflict from 1500 to 2000"*.(PK) As Kennedy put it, *"...the population losses and economic disruptions caused by four and a half years of 'total' war were immense. Around 8 million men were killed in actual fighting, with another 7 million permanently disabled and a further 15 million 'more or less seriously wounded' – the vast majority of these being in the prime of their productive life."* Then, as he explained, we have to add the vast civilian casualties from disease, famine, exposure, etc., plus those lost from the influenza epidemic. *"Thus the final casualty list for this extended period might have been as much as 60 million people, with nearly half of these losses occurring in Russia...."*(PK, 359-60)

Likewise, the vast economic losses, too extensive to be detailed here (but see references). So understandably, by the late 1920s the images of WWI which prevailed *"...were of death, destruction, horror, waste, and the futility of it all. The 'Carthaginian peace' of 1919, the lack of those benefits promised by wartime politicians in return for the people's sacrifices, the millions of maimed veterans and of war widows, the economic troubles of the 1920s, the loss of faith and the breakdown in Victorian social and personal relationships, were all blamed upon the folly of the July 1914 decisions."* (PK, 359-60; 367; see also, Vera Brittain, *Testament of Youth* (VB); Wilfred Owen, *Poems* (WO) ; Gwynne Dyer, *War* (GD); Martin Gilbert, *The Somme* (MG4) ; Lord Gowrie, Opening Australian War Memorial, 1941 (LG) ; Adam Hochschild, *To End All Wars* (AHoch) ; Erich Remarque, *All Quiet on the Western Front* (ER) ; John Maynard Keyes (JMK1))

Moreover, as it soon became ever clearer, the war had failed to solve any of the

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world's outstanding problems but, like every other mercantile war through history, had instead added a great many more. Of course, some statesmen claimed to have 'won', but such was mere pretense to calm voters' tormented minds, as well as ensure that the war's extreme and growing debts were transferred to Germany's shoulders. Moreover, as Keynes recorded, besides offsetting Britain's debt burden, it would strengthen the guarantee that Germany with its economy would be utterly crushed, - permanently! However, it seems clear that most delegates gathered at Versailles failed to recognize such truths, including their mutual responsibility for bringing about the war. Moreover, they failed to set up an agreed stable, fair-trading system consistent with a peaceful world, as advocated by Smith. Instead, they allowed the so-called 'triumphant victors' to persist with their long time-dishonoured' European adversarial trading 'system'. So, Germany must give up *its* colonies (and much more besides), it must admit its responsibility for 'causing the war', - and thus it alone must 'pay for the war'. (JMK1 ; JK ; WH)

In contrast, and in accord with the war-time Sykes-Picot agreement of 1916, the 'victorious' ongoing Empire builders, Britain and France, would share much of the oil-rich Middle East (along with many other territories) between them. And those states which had been similarly lured to join the war, would be given territorial 'prizes', even Japan gaining German territories in the Pacific. In addition, among the many other conditions of the Versailles Treaty, Germany was to be almost totally disarmed, never again to have a conscript army or a significant navy and, especially, never to have submarines which had had such catastrophic effects across the Atlantic during the war. However, as Lloyd George reassured Germany, *its* arms limitation would be enforced justly on the principle that under the *League of Nations* a forthcoming international conference would ensure that *all* nations would limit their arms to those suitable in type and quantity *for defence only*.(DLG, 602-3; RC) The betrayal of both of these undertakings will be considered below, but meanwhile let's turn to another of WW1's outcomes which would greatly complicate international relations, especially WWI's victors' handling of the desperately hoped-for enduring peace, Russia's revolution.

Russia's Revolution (November, 1917) - A Vastly Complicating Factor

Although England, America and France, had had their revolutions, and despite the terrible conditions leading to Russia's, it received little if any outside sympathy. Of course, while the war had not 'caused' it, Russia's truly awful human losses and privations - military deaths 1,700,000, plus 40 million civilian casualties = had certainly triggered it. Moreover, due to the war's accumulating effects, including Britain's continuing sea blockade of Germany, conditions for most of Europe's populations remained truly desperate.

Accordingly, leaders of the victor states were extremely fearful that the 'virus'

of Russia's 'revolutionary Communism' might spread and inspire Europe's suffering masses to follow suit. Indeed, Lloyd George, who until 1909 had (like Churchill) been an enthusiastic Liberal Radical, was so concerned that in his *Fontainbleu Memorandum,* presented to Peace Conference delegates ahead of the Versailles Peace Conference, he emphasized the importance of this issue for Europe above that of preventing a further general war. Indeed, shared by the West's upper echelon leadership, this fear of widespread revolutionary socialism across Europe (and beyond), was to become the prime factor determining the course of events leading to the second World War, a mere 20 years on. (MG1, 189-196, 197-211 ; WC5i, 1-358 ; PKn, 138)

In mid 1918, with German troops only 45 miles from Paris, both Britain and Germany had (quite independently) sent small forces into Russia to support its anti-revolutionary White Army, by then in a civil war with the revolutionaries' Red Army. And by mid August, Britain appeared to have taken over Russia's principal oil resources via a force sent from Persia to Baku on the Caspian sea.(MG2, 507-8) In *The Aftermath,* Churchill explained how earlier, in December 1917, an *Anglo-French Convention* had apportioned their nation's *'spheres of action'* in southern Russia, Britain for its part assigned Armenia, Georgia, Kurdistan and the Caucasus. And as Churchill explained,*" In consequence the British landed at Batum and rapidly occupied the Caucasian railway from the Black Sea to the Caspian at Baku. ...The British forces, about 20,000 strong, were by the end of January, 1919, in possession of one of the greatest strategic lines in the world, and both flanks rested on superior naval power on the two inland seas."* (WC4, 166) However, it soon became clear that due to the resistance of both Russia's citizens and war-weary Allied soldiers, neither Britain nor France could in reality hold on to such rich prizes.(WC4,167-9)

At all events, Russia's revolutionaries would by then have sensed the growing hostility of the outside Western world. Indeed, by September 1918, this was already clear once the US landed 4,500 troops in Archangel, destined for Petrograd and Moscow, that beginning a far wider international intervention aimed at 'strangling the revolution at birth'. Hence, in April, 1919, just as the League's Covenant was being negotiated, some 180,000 Allied troops: British, French, American, Serb, Czech, Greek, Italian, Polish, Finnish, Korean, Japanese, were taking sides with the 300,000 Anti-Bolshevik Russian troops facing some 300,000 Bolshevik troops.(MG2, 512, 559) In general, however, the Allied aim was simply one of 'assistance', - to provide arms, influence policy, and urge the White army to 'do its own fighting'. And, bearing in mind that due to the effects of Britain's sea blockade on the still-suffering hungry Germans (with the possibility that they too might 'go Bolshevist') Churchill's summing up of his own Russian policy was, *"feed Germany; fight Bolshevism; make Germany fight Bolshevism".*(MG2, 561)

Indeed, among WW1 Allies, there arose the idea of instigating with Russia's

neighbours a protective shield, *a "Cordon Sanitaire"* to prevent the 'export' of 'Communism' by either physical or ideological transfer. But, bearing in mind Russia's extreme losses, privations and suffering from the war, and that the revolutionaries had 'inherited' from Imperial Czarist Russia territories that stretched from Poland to the Pacific (more than enough to look after) there was no likelihood whatever of any physical attempt to extend Russia's borders. Thus the only real issue was that of limiting the transfer of ideas, a none too realizable aim.

Logically then, the appropriate Western response should have been to make quite sure that one's own economy and society in general was in reasonably equitable, sustainable shape, and thus not subject to economic slumps. After all, that sustainable 'shape' is exactly what old Russia was not, such accounting for the revolution. And so the West's most sensible self-protecting response would have been to correct all those injustices and gross inequalities that Churchill had spoken of in his 1909 *"Spirit of the Budget"* speech. And bear in mind also that since the revolutionaries' social and political national organization would of necessity have to be of an experimental nature, there was no reason to interfere, but simply to wait and see what comes out of the two systems, compare, recognize deficiencies and correct accordingly.

That aside, ultimately, the Allied contingents were progressively withdrawn as the disunited Anti-Bolshevik forces failed in their attempts to take Moscow, Petrograd and other areas. The last contingents to leave were those of the US in April 1920, the Czechs in December and finally the Japanese in October, 1922. (MG2, 596-7)

But, beyond that, this Revolution was to have profound effects not only on the conduct of WWI, but on subsequent events and peoples right across the world – extending through to WWII, and with us yet.(MG3) For, from its outset, among war-torn Europe's upper echelon society, it greatly heightened fears of urgent cries for economic justice via 'socialism' or similar 'egalitarianism', the greatly distressed Germany being the most likely country to follow Russia. Hence, much support for a 'strong' Hitler-like figure in Germany. Such urges, even to avoid the degree of societal equity proposed in the writings of Adam Smith, not only remained but greatly strengthened, as unstable Western economies slumped further and further. Indeed, so much so that those in high society wanted Hitler's Germany re-armed as a 'bulwark' against the 'virus' of 'Russian Communism'. Not that hideously war-damaged Russia, already struggling to look after its vast Czarist-won territories, was in any frame of mind or could face another war, but Western fears clung to the hope that if war with Russia should come, then Hitler's Germany would need to be involved – and, 'on our side'. For example, see Winston Churchill's history of the origins of the Second World War (WC5i) and the record of Lloyd George's 1936 visit to Hitler. (MG1, 197-211 ; & p. 24 below))

Regarding the many key post-war issues arising, despite the League's Covenant having included strong recommendations for peoples' rights to self-determination, economic justice, freedom from arms build-ups and future war, the victors saw the reality as their freedom to appropriate and exploit other people's lands in the usual 'business as usual' manner. So, whereas the US absented itself from the League, Britain and France, (its self-styled war 'victors', determined to minimize their own momentous war debts) placed *all* blame for the war on Germany, pirated much of that country's domestic resources and divided up its former colonies, - along with others' resource-rich territories, most notably much of the Middle East. All well described in by John Maynard Keynes' in *The Economic Consequences of the Peace,* an account well worth the study.(JMK1)

The Versailles Treaty and Universal Arms Limitation

As Article 8 of the Covenant begins, *"The Members of the League recognise that the maintenance of peace requires the reduction of national armaments to the lowest point consistent with national safety and the enforcement by common action of international obligations."* (N-B1, 512) And Part V of the Versailles Treaty is equally unequivocal. It specifies the drastic disarmament of Germany and its allies, its ultimate purpose being, *".....to render possible the initiation of a general limitation of the armaments of all nations, Germany (Austria-Hungary, etc.) undertakes strictly to observe the Military, Naval and Air Clauses which follow."*(DLG, 602-3) Indeed, as the general public were convinced of its importance in preventing future war, those sentiments were taken up by Britain's politicians. Thus, Lord Grey, pre-WW1 Foreign Secretary, said (though, afterwards) how *" great armaments inevitably lead to war"*; also that armament competition was the *" true and final cause of the war"*. (N-B1, 396) and likewise Lloyd George referred to the need for *"....a general reduction of the huge armaments responsible for precipitating the Great War."* (DLG, 601 ; IB1, 7)

However, the cause was taken up with true dedication by Lord Robert Cecil who had lost 5 of his beloved nephews in the war. Unfortunately, however, as Cecil recorded, the awful reality was that although from the outset he gained enormous support from war veterans and the public in general, he consistently failed to gain more than lip service from his Conservative colleagues. For in truth what British governments insisted on was unimpeded power to rule the Empire, as well as that contingency for general war. In contrast, the vast majority of the League's medium and smaller states were greatly in favour of obligatory arms limitation for all states, large and small.(RC)

So, eventually, after more than a decade of procrastination and deliberate delays, when the *First World Disarmament Conference* finally got under way in February, 1932, Britain's Foreign Minister Sir John Simon put it to the House of

Commons in May 1932, *" We have to choose and our choice is very clear. Shall we disarm ourselves, or shall we allow the Germans to rearm?"* (Hansard Commons record May 13, 1932) (N-B2, 104; and IB1,8A(a),(b)) Well, even at this late stage, with Germany's anti-Hitler forces anxious to cooperate, and anti-disarmament pro-Hitler folk desperate to launch Hitler into government by whatever means, delay upon delay followed, the Conference yet again being 'adjourned', - from July to October! During that time the 'Great Powers' were to seek agreement through 'private talks', but as usual these were unproductive and in the meantime Germany's plight was such that Hitler's supporters were able to manouvre him into power, shortly after which, in mid October Hitler withdrew from both the *Disarmament Conference* and the *League of Nations.*(N-B2, 133; WC5i, 52-55)

Supporting Germany's Rearmament under Hitler

Now, although Britain and France had paid lip service to their commitment to *universal* arms limitation (explaining how it would dove-tail into Germany's forced disarmament) their ultimate commitment became the re-arming of Germany. However, while that line of thinking was greatly favoured by British Conservatives and like people in France, it failed to convince Winston Churchill who understood the extreme dangers of 'making friends with Hitler'. Indeed, he objected loud and clear in the House, later recording the dismal record in his history of the origins of WW2, *The Gathering Storm* (a key source).(WC5i) For, as he thoroughly documented, what the Conservatives and Conservative-led governments did throughout the 1930s was to actively assist Hitler's Germany to rearm as, crisis-by-crisis, they turned a blind eye to his expansionary moves.

And that dedicated aim continued in the clear light of Hitler's by-then well documented aims to have Germany expand for its Liebensraum through Eastern Europe into Russia with its fertile soils and mineral (including oil) resources. This was well known from his much-studied book, *Mein Kampf* where Hitler saw WWI as a failed attempt to challenge Britain as a trade rival.(AH, 129-131) And later, where he commented on Germany's right to grow industrially and commercially. On this, however, he considered it a mistake to have attempted overseas colonies in competition with the established Imperial Powers, Britain, France and Russia, seeing such as leading to inevitable disaster, - war, and Germany's downfall. Accordingly, Hitler saw Germany's only realistic future to be: coming to an understanding with England on expanding its land borders, but entirely within Europe, by extending Eastwards into Russia. Indeed it was a message very plain to all, as clearly spelt out in *Mein Kampf.* (AH, Vol. 2, Chapter 14, pp.586-609, especially p.598; see also Churchill, WC5i, 49-53; BLH, 6-9)

That knowledge acted as encouragement to the 'let's arm Germany' camp. Thus, via secret 'conversations' between British and German Admiralties, in 1933 the British government began negotiations over what became *The Anglo-German*

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Naval Agreement of 1935, a purely bilateral accord which excluded former Allies! Indeed, as Churchill saw it, the Agreement *"...proceeded to concede to Germany the right to build U-boats, explicitly denied to her in the Peace Treaty. Germany might build 60 per cent of the British submarine strength, and if she decided that the circumstances were exceptional, she might build to 100 per cent."* And this meant *"...no practical limitation or restraint of any kind upon Germany's naval expansion"*, so that *"In U-boats alone did they build to the full paper limits allowed. As soon as they were able to pass the 60 per cent limit they invoked the provision allowing them to build to 100 per cent, and fifty seven were actually constructed when the war began."* At the time, the agreement was roundly condemned in the House by Churchill, but as he was not in government, his warnings came to nought.(WC5i, 123-128; IB1, 8A(b)(ii))

Likewise forbidden under Versailles, the rise of Germany's air power was raised in the House by Churchill in July, 1934. On advice from Air Minister Lord Londonderry, that claim was denied by Stanley Baldwin. But as Foreign Minister Eden soon discovered, parity with British air power was already reached by 1935, and German strength was double that of Britain's by war's outbreak.(WC5i, 114-6; IB1, 8A(b)) Also encouraged by government, British industry supported that military rise in strength, for example, Armstrong Siddeley selling Germany aircraft engines and De Havilland, its military training planes. Indeed, many of these industrialists were altogether enthusiastic about the rearmament of Germany. For example, Sir Arthur Balfour, Chairman of Sheffield's Capital Steelworks, addressed a company meeting with: *"Will the Germans go to war again? I don't think there is any doubt about it, and the curious thing about it is that I am almost persuaded that some day we shall have to let the Germans arm or we shall have to arm them. With the Russians armed to the teeth, and the tremendous menace in the East, Germany unarmed in the middle is always going to be a plum waiting for the Russians to take. One of the greatest menaces to peace in Europe to-day is the totally unarmed condition of Germany"*. (Sheffield Daily Telegraph, October 24, 1933; N-B1, 125). Indeed, it was the sort of view matched by WWI Prime Minister Lloyd George's statement to the House the following year: *"...in a very short time, perhaps in a year, perhaps in two, the conservative elements in this country will be looking to Germany as the bulwark against Communism in Europe.....Do not let us be in a hurry to condemn Germany. We shall be welcoming Germany as our friend."* (Commons, November, 28, 1934, Hansard V.295, 919-20; see also Lloyd George's 1936 meeting with Hitler below).

Challenge or Compliance - The Stresa Conference

Then in 1935, in light of their joint obligations under the *Versailles Treaty* to challenge Germany's rearmament, there occurred the *Stresa Conference* called by former Allies, Britain, France and Italy via *The League of Nations*. For, in March

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that year Germany had launched three major military initiatives: an official Constitution for its new Air Force; a declaration of compulsory service for its army; and the further German Law of May 21 which placed the newly-defined 'Wehrmacht' under Hitler's command. However, as Churchill put it, "*But the British representatives made it clear at the outset that they would not consider the possibility of sanctions in the event of treaty-violation. This naturally confined the Conference to the region of words."*(WC5i, 119)

So, all that eventuated was a bland 'Resolution'. And as no major powers were willing to act, neither sanctions nor other enforcement occurred. And, of course, that amounted to the acceptance of German rearmament, its *de facto* recognition.(WC5i, 119) Next, in 1936, in defiance of both Versailles and the Locarno Treaty, came Hitler's Reoccupation and Remilitarisation of the Rhineland. France felt threatened and, given Britain's assurance of support, would have acted, but as that was denied no firm action occurred. Moreover, without international backing, the *League of Nations* was, as on all other issues, powerless.

Perhaps no surprise then that when in September 1936, Lloyd George was able to meet with German Chancellor Hitler at Berchtesgaden, he took full advantage. No transcript exists, but we have the detailed account recorded by his assistant, T.P.Conwell-Evans, quoted in full by Martin Gilbert.(MG1,197-211). That Hitler also regarded it as important is indicated by the presence of his Ambassador to Britain, Joachim von Ribbentrop. What both parties sought was not only to promote *"...the well-being of the two countries, but also to preserve Western civilisation itself."*(MG1,198) And as further stressed, saving the Depression-ravaged European states, including their own, from communism or socialism, indeed any form of 'collectivism'. 'Bolshevism', as Hitler termed the threat, *"At the moment, ...was more dangerous as a disintegrating force……than as a military power……"*, citing the case of Spain which *"....illustrated the sort of danger which threatened Europe."*, going on to proclaim, *"If the Left succeeded in Spain it would not be a victory of the Spanish Government but of anarchic Sovietism. .....a victory for barbarism. It might spread to France and Czecho-Slovakia .....Germany would be an island in a sea of Bolshevism."* Whereupon, Lloyd George interposed, *"So would England."* (MG1, 203) Clearly, it was not about any military threat from Russia, but all about the realization of their own economic fragility, coupled to the much-feared spread of ideas, 'the virus' of communism, socialism or whatever. For more detail, including an account of Churchill's interview with Ribbentrop – see 'one day in 1937'. (WC5i, 200, 201 ; IB1, B (d))

In 1937 Neville Chamberlain replaced Stanley Baldwin as British Prime Minister and early in 1938, as the European situation continued to drift in the wrong direction, US President Franklin Roosevelt contacted Chamberlain, offering to call a meeting of Britain, France, Germany and Italy to resolve

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outstanding European issues. However Chamberlain's circuitous reply, referring to British efforts to gain the League's approval *"...to recognise de jure the Italian occupation of Abyssinia"*, and suggesting that Roosevelt's proposal might cut across those efforts, was enough to frustrate Roosevelt's offer.(WC5i, 226-9)

Colonial Background to Further Steps towards WW2

On this highly determinative issue, many historians of the West have focused almost exclusively on the evils of the Axis Powers and their equally evil leaders' aims towards new colonizations. That evil is apparent enough, but sadly it was never exclusively so. For, in accord with historical fact, the point is that these Axis leaders were completely *au fait* with the colonial record of Europe's major Powers over preceding centuries, including that role in the origins of WWI, as well as current times. And, as already noted, that activity was always aggressively competitive and frequently combative between those powers laying claim to the same overseas territories. Thus, given the current state of colonial play in the 1930s, it should not have been surprising if Japan, Italy and Germany believed they had equal 'rights' to 'try their hand', even if the *League Covenant* indicated otherwise, especially since as relatively late starters they expected their 'fair share'. Moreover, as the record shows, when as happened over Japan's 1931 invasion of Manchuria (China) and Italy's invasion of Abyssinia in 1935, the European Powers failed to instigate any *League of Nations* blocking action, the Axis Powers were well assured. And, given Britain's so-called 'appeasement' (i.e., encouragement) it was altogether the same with Hitler's Germany, as when Hitler had his forces re-occupy the Rhineland. So, it would be altogether understandable if Hitler assumed that whenever his planned invasion of the West's much-hated communist Russia occurred, the result would be complete acceptance.

Accordingly, on March 11, 1938, came Hitler's confident takeover of Austria. (WC5i, 184-5) In his speech to the House, Churchill pointed to the obvious threat to Czechoslovakia with its Skoda Arms Works, as well as to Romania with its oil and Yugoslavia with its minerals. On March 18 the Russian response was to propose a League conference to discuss international measures to counter the German threat to peace.(WC5i, 245) Churchill too had been *"..urging the prospects of a Franco-British-Russian alliance as the only hope of checking the Nazi onrush."* But Chamberlain rejected all such proposals, his statement to the House reading: *"His Majesty's Government are of the opinion that the indirect but none the less inevitable consequence of such action as is proposed by the Soviet Government would be to aggravate the tendency towards the establishment of exclusive groups of nations, which must in the view of His Majesty's Government be inimical to the prospects of European peace."*(WC5i, 247)

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Czechoslovakia Betrayed

Although the Czech government was willing to negotiate a settlement which recognized that the Sudetenland was the original home of some 10 million Sudeten Germans lost to Germany following WW1, yet within 2 weeks, those July 1938 negotiations had broken down, Germany's military preparations continuing on. However, in the event of invasion, both France and Russia were committed by treaty to support Czechoslovakia, Russia's Litvinov favouring working via the League's Council under Article 11, as well as through a joint declaration by Britain, France and Russia. Lord Halifax did not think such action *'would be helpful'*. So, France wanted to know whether in the event of German invasion, - and France marched, - would Britain march also? Lord Halifax's reply of September 12, 1938 included the following, *"I naturally recognise of what importance it would be to the French Government to have a plain answer to such a question. But as you pointed out to Bonnet, the question itself, though plain in form, cannot be dissociated from the circumstances in which it might be posed, which are necessarily at this stage completely hypothetical."* And more in that vein, he claiming to need advice from the Dominions, and ending, *"…..while His Majesty's Government would never allow the security of France to be threatened, they are unable to make precise statements of the character of their future action, or the time at which it would be taken, in circumstances that they cannot at present foresee."* (WC5i, 266-7)

Daladier proposed a joint French-British approach to Hitler, whereupon Chamberlin cabled Hitler, proposing he alone visit, and Hitler agreed, Chamberlain flying to Munich on Sept 15. Since by then all had been settled with Czechoslovakia for Sudeten home rule, its government was astounded, especially as Hitler was set for invasion. Moreover on September 19th Britain and France had decided to recommend to Czechoslovakia its direct cession of Sudetenland to Germany, which Churchill described as a complete surrender to the Nazi threat of force that *"….will open up for the triumphant Nazis the road to the Black Sea."* Moreover, when Chamberlain again visited Hitler on September 22, he faced an ultimatum, - the Sudetenland by Sept 28, or invasion follows! And on Sept 25, Hitler reiterated his ultimatum, going on to proclaim, *"This is the last territorial claim I have to make in Europe*." But, again Churchill urged a joint declaration from Britain, France and Russia to directly challenge a German invasion, a plea strongly supported by Lord Lloyd and Lord Robert Cecil, all agreeing on the essentiality of 'getting Russia in' and thus exhibiting a united front, by then the only way to avoid war. (WC5i, 277-78)

German General Staff Attempts Hitler's Overthrow

At this critical stage, fearful that Germany's fate following WW1 could well be repeated, Germany's General Staff, long mindful that *'that madman Hitler'* could lead the country into another calamitous war, were actively looking to

Britain and France to demonstrate their firm opposition to Germany's expansion. Indeed, those concerns, going back to Hitler's 1936 remilitarization of the Rhineland, arose at the highest levels, including Admiral Canaris, Chief of Military Intelligence, and Generals Beck and Halder, they (in turn) Chief of the Army General staff. Admiral Canaris was convinced that *"England must lend us a sea anchor if we are to ride out this storm."*, General Beck agreeing.(IC, 55). As General Beck noted in his diary, *"I am convinced that Britain will decide to enter the war with France if Germany forces the Czech issue."* So, both Beck and Canaris sought expressions of British determination to resist Hitler's plans to 'absorb' Czechoslovakia, sending a colleague, Kleist to England on a secret mission. In August 1938, Kleist managed to meet with Lord Lloyd, then Churchill and the Foreign Office's Robert Vansittart, but Kleist was blocked from seeing anyone in the British Cabinet. Thus, the only letter of support Kleist could convey to Canaris and Beck on August 24 was one from Churchill (who was not in government).(WC5i, 279-287)

Independently of that, Canaris, Halder, Beck and colleagues developed a plan to topple the catastrophic Hitler and the Nazi Party, - an elaborate plan which involved most of Germany's 'top brass'. As outlined by Churchill, it was arranged to take place at 8pm on September 14 when Hitler was to be in Berlin. But when at 4pm that day Halder learned that Chamberlain was on his way to Berchtesgaden and it appeared certain that Britain would continue compliant to Hitler's aims, the plan was put on hold.(WC5i, 281) After all, if Hitler could have his way just for the asking, how in the eyes of their own people, could the generals be justified toppling their own government, their own civil power?

Then on September 26, at the height of the crisis, Hitler's principal generals (having been refused an audience) submitted a 'Memorial', warning him of the disastrous consequences of a European war - a message strongly reinforced by Admiral Raeder, Chief of the German Admiralty. Since this warning coincided with the news that the British fleet was mobilizing, Hitler finally wavered. Indicating that ultimate decisions were on hold, official radio and news agencies simply announced that Germany's mobilization was 'not proceeding'.(WC5i,281-2)

Chamberlain's Final Moves to Catastrophe

However, Hitler's final decision to invade was made easy when Chamberlain, broadcasting, offered a further visit to reach 'accommodation', with no mention of the Czechs or the League. And when Chamberlain offered to discuss the transfer of Czech territory, Hitler agreed, September 29th 1938 being set for the Munich meeting. There, Chamberlain, Daladier, Mussolini and Hitler agreed to the terms of Hitler's Godesberg ultimatum. A public declaration, drafted by Chamberlain, reveals the nature of the relationship:

"We the German Fuehrer and Chancellor, and the British Prime Minister, have

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had a further meeting to-day, and are agreed in recognising that the question of Anglo-German relations is of the first importance for the two countries and for Europe.

We regard the agreement signed last night, and the Anglo-German Naval Agreement, as symbolic of the desire of our two peoples never to go to war with one another again.

We are resolved that the method of consultation shall be the method adopted to deal with any other questions that may concern our two countries, and we are determined to continue our efforts to remove possible sources of difference, and thus to contribute to assure the peace of Europe." (WC5i, 285)

All that misunderstanding by Chamberlain reassured Hitler that he was free to continue his expansions without war, this also undermining the German General Staff's determination to topple the Nazi system. Lacking support, the Czechs acceded to the British-German Agreement, President Benes resigning. And by late January 1939, Hitler was pressuring Poland to give up Baltic territories like Danzig and Memel. Moreover, by March 4, 1939 German troops had occupied Prague and the rest of the Czech Republic. Only then did the Chamberlain government come to understand the reality of what Churchill had all along proclaimed, namely that Hitler's claims on Europe were so open-ended, and of such magnitude that in reality they did indeed clash most seriously with British interests. So what had been strikingly obvious to others for years, coming now from Chamberlain was a complete turnaround; and at the end of March, Chamberlain announced Britain's (impossible) intention to *"...lend the Polish Government all support in their power"* should Germany threaten Poland's independence, and later that *" The Dominions have been kept fully informed."* (!) (WC5i, 310)

Churchill's Summing Up

Noting this extraordinary about-face, Churchill wrote *"Look back and see what we had successively accepted and thrown away: a Germany rearmed in violation of a solemn treaty; air superiority or even air parity cast away; the Rhineland forcibly occupied and the Siegfried Line built or building; the Berlin-Rome Axis established; Austria devoured and digested by the Reich; Czechoslovakia deserted and ruined by the Munich Pact, its fortress line in German hands, its mighty arsenal of Skoda henceforward making munitions for the German armies; President Roosevelt's effort to stabilise or bring to a head the European situation by the intervention of the United States waved aside with one hand and Soviet Russia's undoubted willingness to join the Western Powers and go all lengths to save Czechoslovakia ignored on the other; the services of thirty five Czech divisions against the still unripened German army cast away, when great Britain could herself supply only two to strengthen the front in France; all gone with the*

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wind. .....History may be scoured and ransacked to find a parallel to this sudden and complete reversal of five or six years' policy of easy-going placatory appeasement, and its transformation almost overnight into a readiness to accept an obviously imminent war on far worse conditions and on the greatest scale. ....which must surely lead to the slaughter of tens of millions of people." (WC5i, 310-2)

As many including Churchill saw it, there remained only the one possible avenue of escape, the setting up of the long-proposed 'Grand Alliance' to block Hitler's future invasion plans. Russia had made a like proposal to include 6 states on March 19, but this was blocked by Chamberlain. On April 16 Russia proposed a 'trio' united front of Britain, France and Russia, negotiations then commencing, but soon bogged down. By May 4 Churchill was pessimistic, he commenting *"....a long silence while half measures and judicious compromises were being prepared. This delay was fatal to Litvinov. His last attempt to bring matters to a clear-cut decision with the Western Powers was deemed to have failed. .....A wholly different foreign policy was required for the safety of Russia, and a new exponent must be found."* (WC5i, 328) In fact, on May 3 Litvinov (being a Jew and clearly no friend of Nazism) had been replaced by M. Molotov whose task at this late stage was to develop a stop-gap 'arrangement' involving a 'non-aggression agreement' with Germany. As Churchill saw the logic of it, *"The Soviet Government were convinced by Munich and much else that neither Britain nor France would fight till they were attacked, and would not be much good then. The gathering storm was about to break. Russia must look after herself."* (WC5i, 328-9)

Indeed, by August 19, 1939 Stalin saw no alternative to a deal with Germany, an agreement on a *'Soviet-German Non-Aggression Pact'*, Churchill further commenting, *"If their policy was cold-blooded, it was also at the moment realistic in a high degree."*(WC5i, 351) On August 25, Britain proclaimed a formal treaty with Poland, *"...confirming the guarantees already given".* Hitler proceeded with his plan for 'Fall Weiss' (Case White) the invasion of Poland, set for September 1 at 04.45. The invasion went ahead as planned, and Britain 'declared war' on Germany on September 3.

So we see here the dismal history of just how so many seriously flawed policies towards Hitler's Germany (all based on unjustified fears of Soviet Russia) were generated, then allowed to continue on and on – until, finally, it was too late to prevent another World War. And thus we can readily appreciate why Churchill was fully justified in concluding how World War II could truly be characterized as *"the Unnecessary War".* (WC5i, Preface xiv; see in-context quote hereunder)

Aspects of World War II

Short comments only, (but more at IB1, 9). As neither Britain nor France had

any ability even to attempt a defence of Poland, the declared war remained a nominal ('phony') war until Germany invaded the Lowlands and France, that quickly overcoming all opposition, including the British Expeditionary Force, a proportion escaping back to England. Then, because German air and naval power were so preponderant, Britain's strategy had to be very much defensive, especially so in the air and at sea, attempting to defend its cities and life-line sea supplies against Hitler's all-too-successful bombers and submarines. Britain supported by its Dominions also defended Egypt with its Suez Canal link to the Far East and other parts of North Africa invaded by Italian, then later, German troops. The attempt to defend Greece and then Crete was (as had been Norway) a total disaster.

On 22 June, 1941 Germany invaded its long-planned 'target', Soviet Russia, with its Ukrainian black soil plains and oil-rich Caucasus, its vast military machine making huge gains in very short time. Russia had had less than 2 years to prepare and it was a very close call, initially saved only by freezing winter weather and Germany's overconfident failure to provide its troops with adequate clothing. Yet, somehow, (notwithstanding the Allies' claim of *"Germany First"*) Russia alone withstood the force of Germany's land invasion for four years, only finally driving those forces back to Berlin. But understandably all this was at the most terrible costs to the troops of both those countries, and greatest of all to Russia's. See David Kennedy's figures below, p. 40. (DK, 11)

And on December 7, 1941, Japan (long an enthusiastic emulator of Imperial behavior) entered the war, attacking the US naval base in Hawaii, rapidly extending further into mainland Asia and across the Pacific as far south as New Guinea. Indeed, for Australia, unless the process was effectively countered, that rapid advance raised the very real prospect of Japanese invasion, a threat my brother Allan Edward, (along with many other young Australians) readily responded to. What ensued, however, was immediate war between the US and Japan, the effects of which were to greatly stimulate the Depression-ravaged US economy which until then had been struggling with unemployment at 15% and 45% households impoverished.(DK, para 10) Furthermore, the early intervention of the US navy in two key battles, that of the Coral Sea (May 1942) then Midway (June 1942) gave the US decisive control of the Pacific for the rest of the war, a factor absolutely critical to the Pacific war's *final* outcome.(see below, p.36)

It was also a highly significant factor in just how Australia should have dealt with outside 'recommendations' for its war effort, advice that should have focused on the defence of Australia, not on Britain's priorities and demands towards the defence of its homeland, trans-Atlantic sea lanes and Empire territories. Nor should it have engaged in its end-of-war self-imposed battles 'to defeat' Japanese troops, - they far from home in our north and already long trapped, forces powerless to alter the war's outcome and destined only for final surrender, yet forced to defend themselves in these late 'campaigns' (urged by

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General Douglas McArthur), and thus made to kill more young Australians.(see John McCarthy's *A Last Call of Empire, Australian Aircrew, Britain and the Empire Air Training Scheme* and David Day's *The Great Betrayal: Britain, Australia and the Onset of the Pacific War 1939-42*. (JMcC ; IB1, 9D, E (c), F, (a-f) ; DD2)

But going back, in Europe at the early stage of December 1941 the war's outcome was very much 'in the balance', notwithstanding Churchill's optimistic vision in his:

"Memorandum to President Roosevelt of December 16, 1941,

"Hitler's failure and losses in Russia are the prime fact in the war at this time. We cannot tell how great the disaster to the German Army and the Nazi regime will be. This regime has hitherto lived upon easily and cheaply won successes. Instead of what was imagined to be a swift and easy victory, it has now to face the shock of a winter of slaughter and expenditure of fuel and equipment on the largest scale.

"Neither Great Britain nor the United States have any part to play in this event, except to make sure we send, without fail and punctually, the supplies we have promised. In this way alone shall we hold our influence over Stalin and be able to weave the mighty Russian effort into the general texture of the war."(WC5iii, 574)

Thus, even before Stalingrad was decided, Churchill was optimistic that the land war could be 'left to' the Russians, he likewise expecting that Britain and the US could together do their 'Germany First' share via air power. Hence his Memorandum's stated aim, that together they would be able to affect *"....German production and German morale by ever more severe and more accurate bombing of their cities and harbours, and that this,.....may produce important effects upon the will to fight ....",* to which end, *"Arrangement will be made ...to increase....the Anglo-American bombing of Germany without any top limit from now on till the end of the war."*(WC5iii, 576-7)

So, in 1942, Britain began expanding its night area-bombing program, it growing greatly, year-by-year. And this involved the incendiary-bombing of entire German cities, causing fire storms resulting in the deaths and hideous injuries to hundreds of thousands of men, women and children. Churchill's hope was, *"....that the severe, ruthless bombing of Germany on an ever-increasing scale will not only cripple her war effort, including U-boat and aircraft production, but will also create conditions intolerable to the mass of the German population."*(WC5iii, 781-4) Yet, as eventually concluded in Britain's official (1961) report on the RAF's area bombing, prepared by Sir Charles Webster and Noble Frankland,

"The area attack of this period was deliberately aimed at the destruction of the

principal cities of Germany. The object was, as has been seen, to destroy the entire centre of the cities, the housing, public utilities and communications to such an extent that their inhabitants would not be able to go on working. ... it was the destruction of the living quarters of the towns which was the main object of the attack. The worker was to be deprived of the means of working by the devastation of his environment." (W&Fii, 235)

And then comes the 'punch line' on the effectiveness of that vast devastation when we learn that, *"It was natural that those in Britain who surveyed this unprecedented destruction should think that German armaments production must have been sensibly reduced and the morale of the German people, perhaps, fatally undermined."* But, *"In fact, however, armaments production was not only maintained but much increased during the first half of 1943. It remained at that level, with a slight fall at the end, during the second half and then rose steeply again in the first half of 1944, reaching its peak about the middle of that year."* And, as to the effect on morale of the German and foreign (including coerced Allied POW) workers, *"....the refusal to accept defeat through anguish and terror must command respect and admiration."* (W&Fii, 224-5) However, in contrast to the RAF's ineffective area-bombing approach (which led to the loss of tens of thousands of British and Dominions air crew) when in 1944 the US Army Air Force focused on the problem using specific targeting of Germany's strategically critical areas, it made a real contribution to finalizing the war's end, that highly significant accomplishment then standing in further contrast to the way in which Japan's defeat by the US was made to come about.

How Japan's Defeat was Sealed

The important clue here is that once the US Navy came to dominate the Pacific after its Midway victory in June 1942, that situation opened the way to a highly successful program, - to sink all Japanese shipping engaged in transport between Japan's main islands and all parts of its new-won Empire. (IB1, G a, b, c) This outline is drawn from the published study of Japan's defeat by *The United States Strategic Bombing Survey.* Full Reports in Vols. 7-10, 1976; a Summary (USSBS 1) appearing in 1946, available online.(USSBS-sum) From this, the key point is that Japan's capacity to maintain sea contact with its overseas territories, the source of all its war-making resources, was absolutely essential for it to continue the war. So the plan was to use the US's 'freedom of the Pacific' to sink *all* Japanese shipping, using US submarines, ships and aircraft. In 1943, over 1.5 million tons were sunk and in 1944 losses soared to over 3 million (2.5 million due to submarines). In late 1944, in just 3 months the Japanese merchant fleet lost over 1.3 million tons, - more than one third its remaining fleet. By that stage, Japan's navigation within the Sea of Japan and Yellow Sea remained secure, but nowhere else. Soon its merchantmen were confined to the Tsushima Straits and Yellow Sea and by late March 1945, after B-29s had mined Korean seaports and homeland island waters, Japan's shipping was fully paralysed.(USSBS-3, 2-6)

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Thus, by late 1944, Japan was desperate to end the war and by March 1945, the blockade was so complete that Japan's position was totally untenable, - it had lost the war.(USSBS-2, 2-13; USSBS-3, 3)

Of course it is true that Japan was reluctant 'to surrender' until it was assured it could retain its Emperor along with its homeland islands, but in the event, both those requests would later be approved. However, beginning in March 1945, what then occurred was the systematic Napalm canister cluster fire-bombing of Tokyo, and then 65 other highly-flammable Japanese cities.(USSBS1, 16-17) As the USSBS Summary Report indicates, *"In the aggregate, 104,000 tons of bombs were directed at 66 urban areas;.... Some 40 percent of the built-up area of the 66 cites attacked was destroyed. Approximately 30 percent of the entire urban population of Japan lost their homes and many of their possessions."*(USSBS-1,17) The most intensely fire-bombed city was Tokyo. To quote from the Survey Report, *"The primary purpose of this study was to determine why the incendiary bomb attack of 9-10 March 1945 by the Twentieth AF on the densely-populated Incendiary Zone 1 of Tokyo was so highly successful." ….. "The number of persons made homeless by all attacks on Tokyo totalled 2,861,857 (1,008,000 by the attack of 9-10 March). All attacks killed 95,972 persons (85,793 in the attack of 9-10 March)."*(USSBS-5, 67) And since 'surrender' had not been finalized by August, it was decided that on the claimed ground that a direct, and in human casualty terms, extremely costly ground invasion of Japan would be necessary, it was decided that two atomic weapons would be tested/demonstrated, a uranium one on Hiroshima, then two days later a Plutonium one on Nagasaki.

However, as quoted above, notwithstanding all the 'valuable' military data gained from these individual studies, the Survey is frank in its overall conclusion that, *"Based on a detailed investigation of all the facts and supported by the testimony of the surviving Japanese leaders involved, it is the Survey's opinion that certainly prior to 31 December 1945, and in all probability prior to 1 November 1945, Japan would have surrendered even if the atomic bombs had not been dropped, even if Russia had not entered the war, and even if no invasion had been planned or contemplated."* (USSBS-1, 26; USSBS-2, 13) Indeed, as John Kenneth Galbraith, American economist on the Survey panel, commented, *"I had no part in this conclusion. By the time it appeared in the summer of 1946, I had moved on to other duties, which included, in a remote sense, the government of Japan. Paul Nitze had replaced Henry Alexander as the effective head of operations for our work in the Far East… … All I felt was the vast suffering visited on innocent people by their disastrous leaders and by unnecessary actions on our side."*(JKG3, 233)

Unbalanced Character of the Peace Following WWII

As after WWI, when finally WW2 the world's most destructive war of all time ceased, world leaders made efforts to design a fairer, more equitable 'just world

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order' that would ensure that such a war could never again occur. What eventuated was the *United Nations Charter* which incorporates a set of ideas about fairness, peoples' rights to national self-determination, universal economic justice, and prohibitions on all military aggression, indeed, all war unless as a last resort in self defence. As agreed through their endorsement of the *United Nations Charter* in San Francisco in June 1945 (UNC) *all* nations were bound by that body of Customary Law. Yet, over succeeding decades serious breaches of these laws have been made by many nations including the most powerful, many breaches resulting in aggressive confrontations and wars. Accordingly, we have to enquire whether our species is completely 'off-course', on a totally ill-judged 'business-as-usual vs. an equitable-economics i.e., fair trading track. For it is all too obvious that any species which, like our own, continues to be at war across itself is heading for very serious mutually-damaging trouble, quite possibly extinction.

Also, in agreement with the *United Nations Charter*, was *The Atlantic Charter* produced in August, 1941 by President Roosevelt and Winston Churchill, it too setting out principles essential to establishing a fairer more equitable and peaceful world, a key one of which declares that the United States and the United Kingdom undertake to *"...respect the right of all peoples to choose the form of government under which they will live; and they wish to see sovereign rights and self-government restored to those who have been forcibly deprived of them."* But how were such commitments honoured once the war was over? Hereunder, an example to illustrate just one aspect of the unbalanced character of the peace, namely the contrast between that undertaking as given in the treaties - and it's post-war abject betrayal. (For *Atlantic Charter* (AC) see Addendum 2)

The Vietnam Wars' Cold War Origins - Supporting France's Colonialism

We may think of the 'Vietnam War' as a conflict beginning in 1945 but in fact 'Vietnam wars' go back to the 1850s when France began its colonization of Indochina.(ME, 54) Always resisted by the Indochinese, that brutal French occupation continued for near a hundred years until, following the fall of France in 1940, Japan's forces took over as the colonizers until 1945 when its forces surrendered. A major issue then was: would the Vietnamese (who under Ho Chi Minh had throughout WW2 fought against the Japanese invaders) in fulfillment of the *Atlantic* and *United Nations' Charters*, finally gain their nation's long-denied independence?(BT3, 296) The following outline is based largely on Barbara Tuchman's highly illuminating account, "*America Betrays Herself in Vietnam"* in her outstanding *"The March of Folly"*.(BT3, 289-474)

In Franklin D. Roosevelt it appeared clear that the colonized people of S.E.Asia had a champion. Disgusted with European versions of colonialism, he was adamant that Indochina *"... should not go back to France,"*. As early as January 1943 he had told his Secretary of State, Cordell Hull, *"....the case is perfectly*

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clear. France has had the country – thirty million inhabitants – for nearly a hundred years and the people are worse off than they were at the beginning."(BT3, 291) With Britain's colonial interests in mind, Churchill had very different ideas, as had many Americans in high places. Thus, following Roosevelt's untimely death on April 15, 1945, decisions were made to support the claims of France in the hope that that war-torn European country would remain safe from the temptations of communism, a movement already strong there, especially among its former partisans, its war-time resistance fighters.

So France, determined to re-take control of the country continued its brutal attempts at subjugation against an equally-determined national resistance led by Ho Chi Minh who had been a leader since the time of Versailles when his plea for self-government, in accord with the *League of Nations Covenant*, had been turned down. Vietnam's post-WWII struggle with France continued until 1954 with the French defeat at Dien Bien Phu, when a truce (to be followed by UN-sponsored elections) was agreed. However, those elections were never allowed to proceed, US forces taking over where the French left off. The stated reason for this was that behind all the Vietnamese resistance was China, intent on spreading communism to the rest of S.E. Asia, - so the USA must defend itself. All in all a horrifying war which with enormous violence, initially from the efforts of US conscript ground troops (who also suffered horribly) but later, more and more from extremely destructive American bombing, – the war continuing on and on until persistent Vietnamese resistance, coupled to disgust at home, finally caused the US to withdraw. Needless to say, the war's outcome did not lead to any other S.E. Asian nation 'going communist'.

Certain other post-war developments which had profound effects will be discussed below. But now, let me outline WW2's human costs, country by country. since it is most important that we gain some idea of the relative national contributions in war-caused deaths, both military and civilian. For that I'll quote from Stanford University historian, Professor David Kennedy's highly informative paper.(DK, 10)

WW II's Human Costs Country by Country

Country	Total War Dead	Civilian Deaths
United Kingdom	**350,000**	**100,000**
China	**10,000,000**	**6,000,000**
Yugoslavia	**2,000,000**	**1-1.5,000,000**
Japan	**3,000,000**	**1,000,000**
Poland	**8,000,000**	**6,000,000**
Germany	**6,500,000**	**1,000,000**
Soviet Union	**24,000,000**	**16,000,000**
United States	**405,000**	**6**

Now, as we contemplate Australia's losses, (38,000 fatalities) along with those of Britain and the United States, we can well appreciate the profound effects on

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these young lives and their families, - on our populations. However, when it comes to trying to grasp what it must have been like for those many other countries, sadly burdened by their far far greater losses, the sheer enormity of it (the widespread grief, the inevitable ongoing economic and community effects from the absence of just so very many of their young people's lives) then it becomes clear that the magnitude of those losses stands just so far beyond our own country's experience that all we can do is to try to imagine, sympathize, and factor in the ongoing effects across those many countries that such vast losses must have had.

WWII Economic Consequences

Here too are stark contrasts, not only between 'victor' and vanquished, but across the victor states themselves. Like all other Depression-ravaged countries, throughout the 1930s, very many people in the US had been deeply impoverished, remaining so into the early 1940s when US unemployment remained at 15% with 45% households below the poverty line.(DK, 3) But in the special circumstances of this resource-rich, industrially highly-developed, isolation-protected country, all of that changed dramatically following the stimulus of war-time production. Then, not only did the US produce armaments at increasingly record levels, but record levels of civilian output as well, these together providing both full employment and, with money circulating, a full-on market economy. In fact, throughout the war there were essentially 'no shortages', America's standard of living rising some 15%.(DK, 9) As David Kennedy relates, Josef Stalin was all too aware of this situation, on one occasion putting it to Roosevelt as, *"It seems that the Americans have decided to fight with American money and American machines and Russian men."* (DK, 9)

Certainly that was the reality, with the obvious result not only of an absolutely horrifying death toll among the Russians, but of the simply enormous numbers of wounded and the wide devastation of their cities, towns and countryside and of course their much diminished and delayed capacity to rebuild when it was all over. In American author John Gunther's *"Inside Russia Today",* published in 1958, we learn of the 30,000 factories wrecked, 70,000 towns and villages destroyed, three quarters of all housing lost and 25 million made homeless.(JG, 65, 446) And in commenting on relative military tolls, Gunther mentions that in just one battle, that of Kharkov, the Russian casualties were greater than the total of all American casualties in the war against Japan.(JG, 65) Such statistics are reflected in his further observation that in the 1950s, 30-year old Russian women outnumbered men seven to one.

But now, let us return briefly to the contrasting American situation. That is because the lesson of the remarkably stimulating effect on America's long-depressed economy which sprang to vibrant life once its war-time production got under way, was still in effect. Indeed, once fully recognized, that stimulus was

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not allowed to fade away, the US government continuing to bank-roll high levels of arms production both for the US itself and for foreign sale on an on-going expanding basis. This important issue will be dealt with below under: 'George F. Kennan and Sane Responses to the USSR' (p.51); 'The Korean War, Wealth and Melbourne Life in the 1950s', (p.53): President Eisenhower's highly significant 'Military-Industrial Complex' retirement speech of 1961 (p.56); President John F. Kennedy's 1963 most moving speech concerning the true significance of Peace to economies and the people they need to serve.(p.58); and under, 'Dire Economic Effects of Ongoing Arms Build-ups and Creative Alternatives' (p.68). The issue is stressed here because it clearly appears as a key factor in the origin, conduct and long continuation of the Cold War, with its consequent terrifying threat of nuclear war, together with its simply enormous economic opportunity-costs: - that is, the immense shortfalls in desperately needed outcomes from the long-awaited truly peaceful conditions.(PDE ; GFK2 ; JFK)

Next, based on Adam Smith's highly illuminating studies of early developing industrial economies, let me remind the reader how and why wars were generated in (and ever since) his time via the corrupt practices of Europe's State-sponsored 'exclusive companies' of manufacturers and trading groups. For, these 'exclusive' folk were enabled to gain unfair (i.e., monopoly) advantage over their competitors by circumventing normal business competition, i.e., fair-trading practices, both domestically and overseas. And because, inevitably, those competitors included one another's nation-backed exclusive companies, it was precisely this which led to the repeated wars between the states of Europe throughout the 18th century and since.

More on the Corrupt Economic Basis of Europe's Industrial Era Wars

As well recognized by Smith, long before the Industrial Revolution, gross inequities and societal stratifications arose concerning access to land and the uneven distribution of recompense for work done. Then, with the Industrial Revolution under way, Smith noted how those who controlled its levels of production, sought to skew the rewards in their own favour in many ways, the principal one of which was government-legislated monopoly that unjustly favoured groups of *particular* 'producers'.(AS_WN, IV.8.54) For as Smith summed up the broad imbalance between the human needs of consumption vs production, *"Consumption is the sole end and purpose of all production; and the interest of the producer ought to be attended to only so far as it may be necessary for promoting that of the consumer. The maxim is so perfectly self-evident that it would be absurd to attempt to prove it. But in the mercantile system the interest of the consumer is almost constantly sacrificed to that of the producer; and it seems to consider production, and not consumption, as the ultimate end and object of all industry and commerce."* (AS_WN, IV.8.49)

And stemming from this total focus on their own rewards via the diminution of

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other's rights to their 'fair share' of production's wealth, Smith well understood the injustice and other evil effects of the 'mercantile system'. Further, he knew that identical attitudes characterized the behavior of the 'exclusive groups' of all of Europe's industrially-developing states. For, all sought the same advantage by not paying their employees their 'fair share' of what was produced. And since in their domestic markets where employees were failing to gain due recompense, too much was produced for the underpaid population to purchase all, the market became unbalanced, thus suffering a 'market overproduction' glut. Moreover, attempting to by-pass such 'over-production' through export also failed to work because the matching producer/trading partner abroad, operating in the same manner with his employees, likewise provided them with too little to purchase their nation's entire product. Thus, again no production/consumption balanced market, a Europe-wide 'overproduction glut', with economic downturn.

However, as Smith explained, the principal way of getting around, indeed, 'well ahead' of the 'over-production' problem (recognized by Hobson as "under consumption") was to colonize others' lands, and control their people along with their resources and markets, as the Spanish and Portugese did so outrageously across the Americas beginning in the late 15th century. Indeed, it was a point made strongly by Smith who emphasized the utter faithlessness of the Spanish claim to be focused on saving native souls through Christian conversion, rather than their core aim of marshaling the slave labour of natives to mine the country's gold and silver for shipment back to Europe. And then, when high slave mortality from 'unfamiliar' European disease made that system founder, to turn to the infamous West African slave trade, the unconscionable Triangular Trade that served West Europe's 'exclusive merchants', expanding their trade and commerce for over 300 years.(UNESCO; USI ; BC)

Now that might seem more than bad enough, but as Adam Smith further explains, the Royal Charters provided by the rulers of Europe's maritime states to these colonizing monopoly groups inevitably led to serious frictions between the European states themselves, each seeking to occupy and exploit the same overseas territories. And it was this, along with similarly-based abrasive competition over markets, resources, etc. which initiated the long series of wars which, from the 18th century on, have continued to the present day.(AS_WN; PK; SR; JES; JES&LB; IB1)

As earlier indicated, Smith was very much aware of the combative nature of this mercantile system, - of its role in generating one destructive war after another, - so one must ask whether these 'exclusive companies of merchants' monopolies were in any sense of value to their country, or to anyone besides themselves. For, as he noted, the wars they engendered gave rise to ever-rising levels of 'perpetual' national debt. Moreover, in shrinking the country's total wealth, they were of no value to anyone else since, *"…the trade to the East Indies has in every European country been subjected to an exclusive company.*

Monopolies of this kind are properly established against the very nation which erects them. The greater part of that nation are thereby not only excluded from a trade to which it might be convenient for them to turn some part of their stock, but are obliged to buy the goods which that trade deals somewhat dearer than if it was open and free to all their countrymen. Since the establishment of the English East India company, for example, the other inhabitants of England, over and above being excluded from the trade, must have paid in the price of the East India goods which they have consumed, not only for all the extraordinary profits which the company may have made upon those goods in consequence of their monopoly, but for all the extraordinary waste which the fraud and abuse, inseparable from the management of the affairs of so great a company, must necessarily have occasioned. The absurdity of this second kind of monopoly, therefore, is much more manifest than that of the first." (AS_WN, IV.7. Part Third 177) Indeed, as he summed them up, they were, *"....nuisances in every respect;.."*.(AS_WN, IV.7. Part Third 194) And Smith's reference here to this monopoly's *"fraud and abuse"* confirms his view of what we may term their utter corruption of fair trading practices.

Origin and Evolution to Today's Corporations

Here, it is necessary to draw attention to the close similarities of the monopoly status and other corrupt attributes enjoyed by the Royal Chartered Companies of the past, compared to today's Corporations. Indeed that continuity should come as no surprise since the one has evolved, elaborating from the other. If that sounds strange then let us consider the following.

First, as John Maynard Keynes noted in his 1930s *Essays in Persuasion*, Queen Elizabeth 1 was a financial partner, a syndicate share holder in Sir Francis Drake's exploits to steal gold (earlier stolen from American Natives) from Spanish ships, the *Golden Hind* being one that had netted a very great deal. Indeed it was enough for the queen to pay off the national debt and still have 40,000 Pounds to spare. This she invested in the Levant Company (later East India Company) at 3.25 % compound interest that over the succeeding 350 years, accumulated some 4,000,000,000 Pounds which, according to Keynes had grown to equal the by-then current value of Britain's foreign investments.
http://gutenberg.ca/ebooks/keynes-essaysinpersuasion/keynes-essaysinpersuasion-00-h.html#Economic_Possibilities

Secondly, a brief outline of another well-remembered company, the South Sea Company, founded in 1711 to trade (mostly in slaves) to the ports of South America. The British government had promised the Company a monopoly of all trade to the Spanish colonies in South America in exchange for taking over Britain's national debt from the War of Spanish Succession, - the assumption being that with the war all but over, such trade would go ahead. Initially, at a guaranteed 6% interest, the Company's stock sold well, but then as the ensuing *Treaty of Utrecht* (1713) required an annual tax on imported slaves and allowed

only one ship per year, the first voyage of 1717 had only moderate success. However, once King George 1 became Company Governor in 1718, the stock price shot up, it soon providing interest rates of 100%!

So when in 1720, under favourable terms the Company took on more national debt, its share values rose even more dramatically, from 128.5 Pounds in January to over 1,000 Pounds by August. But it was all a bubble, an unsustainable beat-up, a hoax essentially no different to those of today. For, by September the market had collapsed and by December the shares were back to 124 Pounds. Thus many investors faced ruin. The House of Commons undertook an enquiry, numbers of Company Directors and prominent MPs being exposed, but since Britain's Prime Minister, Robert Walpole, wanted to prevent more damage to government leaders, further action was curtailed.
http://www.britannica.com/EBchecked/topic/556389/South-Sea-Bubble

And thirdly, as Adam Smith pointed out, North America's new colonists early realized that many of Europe's colonizing nations had given "….*up the whole commerce of their colonies to an exclusive company, of whom the colonists were obliged to buy all such European goods as they wanted, and to whom they were obliged to sell the whole of their own surplus produce. It was the interest of the company, therefore, not only to sell the former as dear, and to buy the latter as cheap as possible, but to buy no more of the latter, even at this low price than what they could dispose of for a very high price in Europe. It was their interest, not only to degrade in all cases the value of the surplus produce of the colony, but in many cases to discourage and keep down the natural increase of its quantity. Of all the expedients that can well be contrived to stunt the natural growth of a new colony, that of an exclusive company is undoubtedly the most effectual.* (AS_WN, IV.7.44). Clearly here Smith is referring to Europe's exclusive 'Chartered Companies' and, given such a description of that corrupted version of trade, one can fully understand how detested such 'exclusive companies' would be among America's new settlers and leaders. Moreover, as the following two quotes illustrate, it appears that the connection between the kind of business behaviour described here and that of the corruptive influence of corporations emerging in North America in subsequent times was well recognized.

For, example, as Thomas Jefferson wrote in 1816, "*I do not believe that in the four administrations which have taken place, there has been a single instance of departure from good faith towards other nations. We may sometimes have mistaken our rights, or made an erroneous estimate of the actions of others, but no voluntary wrong can be imputed to us. In this respect England exhibits the most remarkable phenomenon in the universe in the contrast between the profligacy of its government and the probity of its citizens. And accordingly it is now exhibiting an example of the truth of the maxim that virtue & interest are inseparable. It ends, as might have been expected, in the ruin of its people, but this ruin will fall heaviest, as it ought to fall on that hereditary aristocracy which*

has for generations been preparing the catastrophe.

I hope we shall take warning from the example and crush in its birth the aristocracy of our monied corporations which dare already to challenge our government to a trial of strength and bid defiance to the laws of our country. Present me respectfully to Mrs. Logan and accept yourself my friendly and respectful salutations." Thomas Jefferson in a letter to George Logan dated 12 November, 1816 https://archive.org/stream/writingsofthomas10jeffiala#page/68/mode/1up/search/p.+68 (TJ)

Indeed, that sentiment directed at the unwelcome greed and corruption of self-serving corporations was likewise expressed in 1864 by Abraham Lincoln in a letter which commented, *"We may congratulate ourselves that this cruel war is nearing its end. It has cost a vast amount of treasure and blood. . . . It has indeed been a trying hour for the Republic; but I see in the near future a crisis approaching that unnerves me and causes me to tremble for the safety of my country. As a result of the war, corporations have been enthroned and an era of corruption in high places will follow, and the money power of the country will endeavor to prolong its reign by working upon the prejudices of the people until all wealth is aggregated in a few hands and the Republic is destroyed. I feel at this moment more anxiety for the safety of my country than ever before, even in the midst of war. God grant that my suspicions may prove groundless."*

The passage appears in a letter from Lincoln to (Col.) William F. Elkins, Nov. 21, 1864.
Ref: p.40, *The Lincoln Encyclopedia: The Spoken and Written Words of A. Lincoln Arranged for Ready Reference*, Archer H. Shaw (NY, NY: Macmillan, 1950)

One can imagine that those Presidential fears concerning the growing power of corporations were widespread and thus might have matured into stable guarantees of fair trade. And yet, despite actions including the Sherman Anti-Trust Act of 1890 designed to limit their power, such power continues to expand. In any democracy, that may seem strange since, like Adam Smith's 'exclusive companies', 'corporations' were neither democratically proposed nor elected. Indeed, they have arisen as self-selected groups of people taking 'exclusive' advantage through monopoly and other corruptions 'authorized' by government, - that being followed by *de facto* recognition across the many market systems of the world. Accordingly, there can be no surprise that they remain unpopular to this day, especially as they too have frequently played the sort of intrusive roles in both domestic and foreign affairs which lead to international frictions and war. (reviewed in IB4 ; DK1 ; DK2 ; DK3)

For example, Australians remembering the origins of WWI just 100 years ago and our involvement in the Gallipoli Campaign, are conscious of the role played by Vickers and Armstrongs, major British armaments corporations of the day. For, that role included arming the Dardanelles against naval attack. Here I quote from an earlier account (IB7) which quoted Winston Churchill from '*The World Crisis*', *"Then on September 9, 1914, Britain withdrew its Naval Mission to*

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Turkey, Churchill requesting that its head, Admiral Limpus (also titular head of the Turkish Navy) be transferred to command the British naval squadron assigned to watch the mouth of the Dardanelles". But then, as Churchill put it, *'This project was not, however, pursued, it being thought that it would be unduly provocative to employ on this station the very officer who had just ceased to be the teacher of the Turkish Fleet ..... the Admiral who .... knew the Dardanelles with all its possibilities.' "* (WC3Vi, 491 ; IB7)

Well, to explain what that was all about, since 1911 there had been in Turkey a British Naval Mission the role of which, together with an Armstrongs' and Vickers' subsidiary, *'The Imperial Ottoman Docks, Arsenals and Naval Construction Company'*, was to modernize and strengthen that country's naval armaments and defences. Moreover, on July 28, 1914 (just before the war began) two modern battleships, the *Reshadieh*, and the *Sultan Osman*, that had just been completed for Turkey at Armstrongs' and Vickers' shipyards in Britain (indeed, fully paid for and with their Turkish crews ready to board) were requisitioned by Churchill for the Royal Navy."(WC3,Vi, 208-9)

Now, the eventual consequence of these actions was that Turkey, aiming to keep out of Europe's Great War, was tricked into joining it and, coming in on Germany's side, was able to block Britain's and France's naval assault of February 1915 on the Dardanelles (they expecting to reach Constantinople and force Turkey's compliance). However, Turkey's floating sea mines caused tragic ship losses, with hundreds of French sailors drowned, an outcome that led to the Allied land campaign which, also failing, resulted in the vast casualty tolls of young Turks, British and Australians. This of course, is but one example, one of many to illustrate how readily such corporations, backed by the governments they influence, can and do contribute to unnecessary wars along with the equally unnecessary tragic human losses that go with them.(WC3,Vii, 261 ; BT2, 139-162 ; IB7)

After all, let us recall what Smith had to say about calculated 'for profit' distortions of trade relations and their dire belligerent effects on what should always have been amicable, nation-bonding relationships between Europe's trading partners. For, as he expressed it,*".....nations have been taught that their interest consisted in beggaring all their neighbours. Each nation has been made to look with an invidious eye upon the prosperity of all the nations with which it trades, and to consider their gain as its own loss. Commerce, which ought naturally to be, among nations, as among individuals, a bond of union and friendship, has become the most fertile source of discord and animosity. The capricious ambition of kings and ministers has not, during the present and the preceding century, been more fatal to the repose of Europe than the impertinent jealousy of merchants and manufacturers. The violence and injustice of the rulers of mankind is an ancient evil, for which, I am afraid, the nature of human affairs can scarce admit of a remedy. But the mean rapacity, the monopolizing spirit of merchants and manufacturers, who neither are, nor ought to be, the rulers of*

mankind, though it cannot perhaps be corrected may very easily be prevented from disturbing the tranquillity of anybody but themselves." (AS_WN,IV.3 Part 1. 38) Just so, but as you can imagine, such prevention hinges entirely on the 'exclusive producers' and their governments taking to heart the huge benefits of the straightforward fair-dealing mutually-beneficial economic model advanced by Smith whereby all come out not losers, but together and at peace, winners.

However, notwithstanding the commonplace fair dealing between ordinary folk and by a wide spectrum of small to medium-sized businesses, it still happens that within upper echelon business circles, corporations and special interest groups comparable to the 'exclusive companies' of Smith's day, operate in much the same way. Thus, as Corporations, Combines, Associated Companies, etc., these too function as powerful monopolies or closely-linked oligopolies which exert great control in their own favour, since both at home and abroad they have enormous influence across commercial, governmental and other societal areas. Indeed, large numbers of transnational corporations exert as much or more power than many governments, - in many situations having decisive policy outcomes on their own.

Of course, these are anything but democratic outcomes, for as Lord Acton cautioned, *"power corrupts, and great power corrupts absolutely."* And when as frequently occurs, corporations collude with one another, including highly influential media outlets, such determinative power can become overwhelming, - over-riding all democratic forms. Examples from recent times include Halliburton's highly corrupt influence in the run up to and conduct of the 2003 attack on Iraq; corporate media influence in the US and on Australia's involvement in the 2003 war on Afghanistan, - then Iraq; and today the dismal lack of effective Australian action on sustainable alternatives to the fast-reducing reserves of so many of the world's natural resources including most critically, oil; and likewise, its all-too-evident massive coal exports, along with a virtually total rejection of effective action on impending climate change which threatens the direst consequences for all.(JaH) For further commentary on economic corruption stemming from the activities of Corporations, c.f., p.74.

WWII and Contrived Origins of the Nuclear-Armed 'Cold War'

Let us go back to what immediately transpired following WWII, the swift transition into the 'Cold War', - the West vs. the nations of the communist world, - and the extreme danger that ensued after it was claimed that 'somehow', the *severely war-devastated* USSR was both able and motivated to be a military threat to the United States, Britain and the rest of the Western world.(IB1, 9 I (a)) The wide publicity to promote this view sought to convince Western people why they should support what was not just unnecessary, but all too soon, an ever-so-wasteful and *insanely* dangerous nuclear-armed 'Cold War' stand-off and, when called upon, another World War (this time Nuclear) aimed at destroying the

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USSR. And yet, how could the huge outlays for armaments be 'justified' when people everywhere had been desperately awaiting the cessation of war's destruction, - and the benefits of peace with security? Well, the case was that the USSR, which had at such enormous cost to its soldiers, its civilians and its country, so recently agonizingly fought its way, driving the invading German armies back across Eastern Europe to Berlin, had *thereby* become a military threat to Western Europe.

But, remember, at Yalta it had been agreed by the 'Big Three', Roosevelt, Churchill and Stalin, that in compliance with Russia's concerns for its future border security, Eastern Europe's states would lie in Russia's 'sphere of influence'. Yes, agreed, though not published until 1947. Thus it was the very fact of Russia's extraordinary accomplishment in finally turning back Germany's military occupation of Russia and Eastern Europe (something the West had 'left her to') - coupled to the West's own agreement to support Russia's Eastern Europe 'sphere of influence', that Churchill and President Truman, Roosevelt's successor, seized on as the basis of their case that the USSR posed a military threat to the rest of Europe! (see Winston Churchill's Fulton Missouri *Sinews of Peace* speech, March 5, 1946.(WC6)

Moreover, as documented by Martin Gilbert (Churchill's biographer) it was within days of Germany's surrender (May 9, 1945) that Churchill's telegram to President Truman of May 12 referred to *"....this enormous Muscovite advance into the centre of Europe...."*, he concluding, *"Meanwhile the attention of our peoples will be occupied in inflicting severities upon Germany, which is ruined and prostrate, and it would be open to the Russians in a very short time to advance if they chose to the North Sea and the Atlantic."*(MG3, 685-6) Encouraging 'paranoid fears' must have been Churchill's aim, for given his knowledge of the war's extreme costs to Russia and its people, there is no way he could have believed it. Even less could Churchill or Truman have believed in any such threat once Japan had been defeated, the US having by then demonstrated the dire effects of its atomic bombs. And yet the case to 'justify' the Cold War to their people was built on this trumped-up confidence spin.

Indeed, that interpretation makes sense when seen in context with other Churchill writings. First, in *The Gathering Storm* where Churchill makes clear his view that the cause of WWII was not related to Russia's truly 'last minute' (August 19, 1939) non-aggression pact with Hitler's Germany, but to Britain's Conservatives who *from 1933* supported Germany's re-armament, repeatedly turning a blind eye to Hitler's aggressions and, to the very end, refusing to cooperate in the proposed 'Grand Alliance' of Britain, France Czechoslovakia and Russia which Churchill maintained would, had Britain come on board, have stopped Hitler short of WWII.(WC5i, 350-1, 335-337) Secondly, it was that very set of circumstances which underlay Churchill's view that WWII was entirely preventable, for as he wrote in his Preface to '*The Gathering Storm', "One day*

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President Roosevelt told me that he was asking publicly for suggestions about what the war should be called. I said at once "the unnecessary war". There never was a war more easy to stop than that which has just wrecked what was left of the world from the previous struggle."(WC5i, Preface, xiv)

In fact the claim of Russia's aggressive intent was a public façade to cover the real fears of leaders in the US, Britain and other Western states, fears like those of Lloyd George in his *Fontainebleu Memorandum* following WWI.(see MG1, 189-96; also IB,1B(d) 12-16) For, in so many countries long plagued by traditional inequities, both WWI and WWII had heightened those gross disparities, and produced enormous destruction and chaos besides. Understandably then, most people were looking for a different future, - not a return to the old 'business-as-usual' ways. Many in France, Italy and other countries were attracted to communism or some other hoped-for egalitarianism, so the very real fear of Western leaders was that these ideas might take hold, become irresistible, - and not just in Europe but across the world. Accordingly, it was considered crucial to ensure that people in the West would come to believe that any economic systems involving 'socialism' or similar were not the way to success, to portray them as impoverished (they frequently were) drab, boring, oppressive and, above all, as military threats to the nations of 'the Free World', which of course they could never have been, – even had the desire been there.

Origins of (not-so-cold) MAD Nuclear Options

By August 1945 the US had become a 'nuclear power', the only power with the supreme terrorist weapon of mass destruction', the ultimate military tool to obliterate people, - the nuclear bomb. Helped by Germany's émigré scientists, it had been developed in the US as a 'precautionary measure' during WWII, 'lest Hitler get it first'. But, ultimately it *was* demonstrated on Japanese cities and their people and then, via a crash program, added to the US arsenal in ever-expanding numbers. Next, with US help, Britain (and later France) followed. And then, although of course not intended by the West, Russia too before long became a nuclear power, it testing a Plutonium bomb in August 1949.

So, for the US the initial advantage of having exclusive possession of atomic weapons was lost. And, with the prospect of an escalating nuclear arms race, - instead of a moratorium aimed at the *universal abolition* of nuclear arms, the US sought to develop such vast nuclear superiority that it could dictate and, if necessary, shape the character of the post-war world. However, not just for Americans and Russians, but for all the world's peoples, that approach was an extremely destabilizing and hideously dangerous one. Considering Russia's enormous weakening from the war and its far weaker industrial development, it may have seemed that the US's nuclear dominance would soon be overwhelming.

Yet, the USSR somehow managed to more or less 'keep up' with nuclear

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innovations, including the hydrogen bomb (August 1953) and advanced missile targeting systems, so giving it a degree of 'parity'. And of course in this dangerous 'game' even with far smaller numbers of weapons, anything over a few tens of nuclear-armed missiles targeted on major cities of the 'other' side amounted to a truly dire threat – and hence an 'equalizer'. So, the aim of gaining overwhelming superiority failed and instead, between the two 'super-powers' there occurred a 'nuclear stand-off', the ever-present threat of *mutual* nuclear annihilation on the grand scale, the acme of mutual terrorism, destruction and death. And thus, before long, - and for many decades (at least from Russia's acquisition of the H-bomb to the nominal end of the Cold War in 1989) there hovered over both sides, a truly security-undermining mutual holocaust prospect for all the world.(JS ; JSa2 ; JSa3)

There was, of course, the temptation 'to strike first' (before 'they' struck first) in the hope of inactivating 'their' weapons' delivery systems, 'decapitating' their leadership, etc. However, it soon became clear that both sides had developed such a surplus of weapons and widely-separated launch sites that 'striking first' was anything but 'practical'. And so the nuclear stand-off between the US and the USSR persisted as that unstable 'arrangement' for *'Mutually Assured Destruction'* (aptly termed MAD) which inevitably would occur in the event of either planned, accidental, or a simply wrongly-perceived nuclear launch from either side.(JS) What a result! - a completely unstable, unpredictable situation, the total denial of the true post-WWII 'security' so desperately needed by all people across the world!

Yet, despite the on-going ever-so-precarious 'MAD' nuclear stand-off, the Cold War was pursued by other means as well. Overt war between the major powers, even that using conventional weapons, was considered 'too dangerous' because it could readily get out of hand and lead to a 'MAD' nuclear war. Nevertheless, as seen above in the case of Vietnam, the Cold War was still carried on, not only at the propaganda and economic levels, but as 'hot' wars using proxy states. That meant supporting lesser powers in their Colonial or other wars; aiding one or other side in a civil war; or even participating directly in a civil war, the Korean war being an example.

George F. Kennan and Sane Responses to the USSR

The above analysis is broadly consistent with the views of former American diplomat and historian George F. Kennan who had served in the USSR during WWII and, through the late 1940s, played a prominent role in warning his country of the need to monitor and if necessary, 'contain' the Soviet Union. Yet he had always considered *"...successful containment not as an end in itself but as the prerequisite for the ultimate process of negotiation."*(FC, 4) Indeed, even from Kennan's earliest testimonies it was abundantly clear that a military invasion of Europe by the USSR was never in prospect since that war-devastated

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country was totally taken up with its recovery from the only recently finished catastrophic WWII, - and it desperately wanted to coexist in peace.

Thus as Kennan, looking back, outlined that history, *"What I was then advocating for our Government was a policy of "containment" of Soviet expansionist pressures, a policy aimed at halting the expansion of Soviet power into Central and Western Europe.*

I viewed this as primarily a diplomatic and political task, though not wholly without military implications. I considered that if and when we had succeeded in persuading the Soviet leadership that the continuation of these expansionist pressures not only held out for them no hopes for success but would be, in many respects, to their disadvantage, then the moment would have come for serious talks with them about the future of Europe.

But when, some three years later, this moment had arrived - when we had made our point with the Marshall Plan, with the successful resistance to the Berlin blockade and other measures - when the lesson I wanted to see us convey to Moscow had been successfully conveyed, then it was one of the great disappointments of my life to discover that neither our Government nor our Western European allies had any interest in entering into such discussions at all. What they and the others wanted from Moscow, with respect to the future of Europe, was essentially 'unconditional surrender.' They were prepared to wait for it. And this was the beginning of the 40 years of cold war." (GFK2)

And so, understandably, Kennan had been and remained highly critical of the setting up of a military organization (NATO) to oppose a non-existent military threat to Western Europe, while at the same time failing to institute systems for negotiating outstanding issues and cooperative efforts to solve problems of vital importance to both countries. For he could see the US approach as totally counter-productive since it brought about the very situation, (the Warsaw Pact crisis) it had, in effect, initiated. Moreover, in reality the outcome had been a catastrophe for *both* sides because the setting up of NATO, - faced then by the Warsaw Pact, each with its deadly nuclear weapons on hair-trigger alert, resulted in total instability, that hideously threatening situation which was all too likely to end in *mutual* nuclear holocaust, as only narrowly averted during the 1962 Cuban missile crisis. And that unstable, uneasy relationship was no proper basis for what in his view should have happened, namely, *"…the real possibilities of a genuine … constructive…understanding eventually between the Russian people and our people."*).(FC, 6)
http://www.russilwvong.com/future/kennan.html

Indeed, looking about the world today I believe I discern something of what George Kennan felt about modern industrial societies with their obsessive focus on individual 'wealth creation' at the expense of others down the societal ladder,

their capacity for self-congratulation, their ability to indulge in total complacency in the face of society's dismal condition, and their own 'self-made' personal 'triumphs'. For, aside from his deep fears about the ill-conceived extended nuclear stand-off that brought the human species so close to nuclear obliteration, he became more and more concerned over other counter-productive American policies and practices that amounted, in Barbara Tuchman's terms, to America's self-betrayal, just one result of its lack of self-understanding and true self-confidence in and of the world.(BT3, 419-420)

For example, in 1966, testifying before Senator William J. Fulbright's Senate Foreign Relations Committee hearings concerning America's role in continuing the Vietnam war, Kennan expressed his deep-felt concerns over the spectacle of America inflicting *"...grievous damage on the lives of a poor and helpless people, particularly on a people of a different race and color."*, a spectacle, *"..profoundly detrimental to the image we would like them to hold of this country."* Kennan then went on to quote John Quincy Adams' dictum that wherever the standard of liberty was unfurled in the world, "*...there will be America's heart ….. but she goes not abroad in search of monsters to destroy.",* because that would mean endless wars in which *"...the fundamental maxim of policy would insensibly change from liberty to force."* Indeed, it appears that he was certain of the very great importance of the need for careful reflection and self examination as a guide for what within any nation most urgently needs to be accomplished.(BT3, 419-420; FC, 4)

And that could have encompassed many highly constructive economic development programs to assist the poorest sectors of the world community to become economically self-sustaining and thus, (as Smith well understood) able, willing and more than happy trading partners. Indeed, in the course of such activity, the more advanced economic powers would have become highly engaged, initially on the supply side, such keeping their economies active without the requirement of wasteful non-productive arms production which, gobbling up valuable material and human resources, undermines the economic welfare of all parties to the detriment of their security and peaceful development. Moreover, since that realization is in full accord with the *United Nations Charter*, there was and remains an agreed prior obligation for all nations so to act, - the way to avoid war by strengthening the bonds of peace. In fact, since the US played an absolutely key role in the drafting of the UN Charter (1945) that is all the more reason it should lead the way through its fine example, - an aim we may hope is revived.

The Korean War, Wealth and Melbourne Life in the 1950s

Being in business, my father received a monthly newsletter from Stock and Share Brokers, Ian Potter & Co. - and you can imagine how I felt soon after the end of the most catastrophic World War in human history to find myself reading its

message of ‘August 1950’ under the heading, *“Commodities Under Rearmament”.*

It started by saying, *“It is hoped that the outbreak of hostilities in Korea will not spread and ultimately lead to a third world war.”* Yet, as it went on...*“Whilst the impact of rearmament upon the world economy may not be as pronounced as may be considered likely in some circles, it is probable that a most important effect will be to sustain for a further period of years industrial activity in the U.S.A. and the British Empire at the very high level at which it has been maintained since the end of the last war. In America in particular there has been some doubt as to whether production could be held much longer at nearly one hundred percent above the 1938-39 figure. The expenditure of large additional sums by the Government for defence purposes now makes it practically certain that the heavy industries will be operating at full capacity for a long time to come even if this necessitates some reduction in the production of consumer goods.”* (IP1)

Here, clearly illustrated we see the human downside, a business world’s concern not for the tragedy of rearmament and war, but for sustained high-level arms production as the way to rejuvenate and sustain economic activity, - with exciting opportunities to generate personal wealth. Indeed, that point was further emphasized by the newsletter which ends up listing such prospects under the heading of: “REARMAMENT SHARES”, - and all of this when there was of course no invasion threat whatever to Australia, the US, or any other Western country.

Now at this time, so soon after such an extremely destructive war, the world was replete with unmet human needs which would of course require full-on economic activity in that direction. As stressed in United Nations’ and other reports, this included the urgent need to supply all manner of basic commodities to all in distress: - clean water, food, clothing, shelter, - and a whole lot more (as applies still today!). So, in any fair, properly run free-trading society where all contributors received their fair share of economic output (as advocated by Adam Smith and John A. Hobson) then Smith’s level playing field version of fair trade could have done justice to all at home and abroad. Moreover, in that way there would never be any so-called ‘over-production’ with gluts of unsold goods, severe unemployment, - nor any ‘Great Depressions’, - the very economic situations claimed to require arms’ build-ups and foreign ‘adventures’, (including colonial and other wars) said to be ‘necessary’ for the treatment or cure of such economic stagnation, - as outlined by Jonathan Schlefer. (JSch).

So, what I then saw happening in Australia, in my very own town, was all very upsetting – for as you can imagine I could not understand how some people ‘at the top’ would think and act this way. But the evidence kept coming through, - on the radio, in the speeches of politicians and others, in company reports, and in the

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daily press. For example, we have from the *Melbourne Herald* of September 15, 1951, the same highly-respected stock broker, Ian Potter, (just returned from the US convinced that America was both psychologically and industrially 'well on the way', prepared for a Third World War) saying,

"My own feeling is that they don't expect Russia to start it. They feel that in the end, their own exasperation might force some sort of terms on Russia which Russia could not accept, thus making war the only way out." He is then quoted as saying, *"They are very anxious to put an end to this battle of ideologies. They want to see this conflict finally solved."* Some 'solution'! In his view, the US might be ready to fight a world war 'if necessary' in 1953, the need to prepare for it being 'uppermost' in American minds, – *"Every big industrial concern was doing something to further the war production effort."* (IP2)

Complementing the above we have the fact that already by 1951, with the Korean war under way, Australia was being groomed to expect a Third World War. To illustrate this underlying reality, I quote from an *Australian Archives* report of February 15, 1951, Cabinet papers by Dr J. W. Knott, BA (LaTrobe), PhD (ANU), Head of History, School of Social Sciences, Australian National University, and an historical consultant to the *National Archives of Australia*:

"Korea and the threat of world war (Para 5) Cabinet rarely discussed the day-to-day activities of the soldiers, ships or planes Australia had committed to Korea. What Cabinet did discuss in great detail, however, was the wider strategic implications of the conflict. Menzies had long been convinced that Korea was a prelude to a third world war. He had warned the Australian people of this in a radio broadcast on 22 September 1950. While in London, Menzies learnt of the probable timetable for this conflict: it would be three years before the Soviet Union was in a position to go to war. At the first Cabinet meeting following his return from London, Menzies once again gave voice to his belief that war with international communism was inevitable. He told Cabinet he was especially concerned that 'there was no sense of urgency in the community'. He warned his colleagues that the nation 'had only till '53 Dec to prepare for [world] war'.[3] When announcing the government's three-year defence program on 2 March 1951, Menzies said it was to enable Australia to be prepared for world war by the end of 1953. The belief that Australia only had three years to prepare for a third world war coloured most federal government policy making and planning throughout the rest of 1951."
(3) NAA: A11099, 1/11, 15 February 1951, see, p. 40, para. 5.(JWK)

Yet, as we have seen, the alleged 'justification' for all such thinking and preparation was not based on any military threat from the WW2-devastated USSR. Instead, it was the above-noted alleged 'threat' constructed due to the West's fears of the instability of its own economic (still mercantile!) system, - that, coupled to its reluctance to adequately meet the genuinely desperate needs

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of the world's peoples, and such reluctance notwithstanding the distinct possibility that many populations might turn to some form of socialism.

And so the original Western bellicose response was maintained, on and on, with ever-mounting production of armaments of all kinds, - conventional, nuclear, and nuclear-related, this including missiles, silos, mobile missile launchers, nuclear-armed aircraft and nuclear-armed submarines, etc. In other words the ready ability to 'launch on warning', including fully-automated versions to guarantee an all-contingency response capability. And bear in mind that this precarious situation continued, not just for a year or so, but on and on over succeeding decades, from the late 1940s through to the collapse of the Soviet Union in 1989.

And then? Well, at that stage, under the new circumstances all citizens of the world had a right to expect that radical nuclear disarmament would at last (as Kennan had long wished to see) have begun in a very serious way. But no, not at all, for the urge to go on as before, making weapons for domestic stockpiling and international sale, continued unabated. Thus, the outcome has been not just the continuation of nuclear programs for the deployment of tens-of-thousands of nuclear weapons, but the ongoing accumulations of conventional arms: tanks, aircraft, ships, submarines, etc located not only in the US but many other countries, including through its 725 military bases in 38 countries spread across the world. Considering the absolute superiority of the military strength of the USA today, that might seem not just strange but more than a little mad. And that not just because it is unnecessary, but because in its historical and current applications it has reduced international security not only of the US itself and the rest of the West, but of all the world's peoples to an alarming degree, at the same time most seriously undermining the health of economies the world over, an outcome that clearly runs counter to the best interests of all nations, large and small.(JaKG2; AJB ; CJ ; JSa1 ; JSa2 ; JSa3)

President Eisenhower's 'Military-Industrial Complex' Farewell Speech

Confirming the key role played by armaments production in keeping the post-WWII US economy in high gear right across the country, we have President Eisenhower's farewell *'Military-Industrial Complex'* speech, given just prior to his leaving office in 1961. For there we learn that since the end of WWII the US was *"compelled"* to engage in a continuous cumulative arms build-up program that was *'permanent'*. However, the President then went on to express not only serious concerns for the *Complex's* possible "*...acquisition of unwarranted influence",* but his great hopes for international settlements that would include not only disarmament, but the realization of America's aspirations towards the satisfaction of humanity's basic needs, including the abolition of poverty and the ability to live together in a genuine peace, *"...guaranteed by the binding force of mutual respect and love."*, - excerpts of which follow:

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"A vital element in keeping the peace is our military establishment. Our arms must be mighty, ready for instant action, so that no potential aggressor may be tempted to risk his own destruction. Our military organization today bears little relation to that known by any of my predecessors in peacetime, or indeed by the fighting men of World War II or Korea.

"Until the latest of our world conflicts, the United States had no armaments industry. .....But now we can no longer risk emergency improvisation of national defense; we have been compelled to create a permanent armaments industry of vast proportions. Added to this, three and a half million men and women are directly engaged in the defense establishment. We annually spend on military security more than the net income of all United States corporations. This conjunction of an immense military establishment and a large arms industry is new in the American experience. The total influence -- economic, political, even spiritual -- is felt in every city, every State house, every office of the Federal government."

"In the councils of government, we must guard against the acquisition of unwarranted influence, whether sought or unsought, by the military industrial complex. The potential for the disastrous rise of misplaced power exists and will persist.

"We must never let the weight of this combination endanger our liberties or democratic processes. We should take nothing for granted. Only an alert and knowledgeable citizenry can compel the proper meshing of the huge industrial and military machinery of defense with our peaceful methods and goals, so that security and liberty may prosper together." …….

And here follows the last few paragraphs of that full government-supplied text:-

"During the long lane of the history yet to be written, America knows that this world of ours, ever growing smaller, must avoid becoming a community of dreadful fear and hate, and be instead, a proud confederation of mutual trust and respect.……."

"Disarmament, with mutual honor and confidence, is a continuing imperative. Together we must learn how to compose differences, not with arms, but with intellect and decent purpose. Because this need is so sharp and apparent, I confess that I lay down my official responsibilities in this field with a definite sense of disappointment. As one who has witnessed the horror and the lingering sadness of war, as one who knows that another war could utterly destroy this civilization which has been so slowly and painfully built over thousands of years, I wish I could say tonight that a lasting peace is in sight. ……"
"To all the peoples of the world, I once more give expression to America's prayerful and continuing aspiration:

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"We pray that peoples of all faiths, all races, all nations, may have their great human needs satisfied; that those now denied opportunity shall come to enjoy it to the full; that all who yearn for freedom may experience its spiritual blessings; those who have freedom will understand, also, its heavy responsibilities; that all who are insensitive to the needs of others will learn charity; that the scourges of poverty, disease and ignorance will be made to disappear from the earth; and that, in the goodness of time, all peoples will come to live together in a peace guaranteed by the binding force of mutual respect and love."(PDE; also BT3, 417)
Full text: http://www.eisenhower.archives.gov/research/online_documents/farewell_address.html

As many will agree, the President's speech gave such an impressively insightful forward-looking view from 1961, - namely, that of a very different positive world which he believed should be put in place. And yet, sadly, the realization of these wonderfully expressed concerns and hopes remains for us still a most serious challenge. For as noted, despite the end of the Cold War, the nuclear threat has not gone away, conventional arms trading and their vast accumulations across the world have not ceased, and international frictions over trade and resources remain as much the cause of regional conflicts as they were since even before the time of Adam Smith. In other words, our 'Mercantile World' of the West, as we may justly term it, has yet to change in its underlying realities, its very nature.

So, of course President Eisenhower had every reason for grave concern, just as currently it still greatly concerns many across the world. However, wrongly advised on just so many issues by John Foster Dulles and others, President Eisenhower would never have known that it was the application of a deliberately inverted interpretation of Adam Smith's sound advice (that should have been allowed to establish just and fair market economies) which had long ago been high-jacked by mercantile manipulators who then 'repackaged' it as the distorted corrupted version that has brought the economies of the US and so many other Western economies to their present unstable, collapsing condition today.

Bearing that in mind, once the USSR had given up 'trying to keep up' in this less than sane armaments competition, there was no reason (beyond keeping the arms industries fully occupied in support of economic growth) not to cut defence outlays way back, stop adding to the stored inventories of both nuclear and conventional weapons, greatly reduce its vast numbers of overseas defence bases, and put a stop to armaments exports of all kinds, including massive arms transfers to the States of the Middle East in exchange for oil. That is because all of these long-accumulating non-productive inventories not only cost government and taxpayer, but they greatly increased insecurity at home and across the world. Moreover, they diverted attention and finance from the myriad positive ways of overcoming the vast range of its own problems and attending to the issues raised by President Eisenhower towards the end of his highly perceptive speech - , including the proper application of diplomacy essential to truly pacifying the

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world, increasing its security, and thus gaining its confidence, admiration and support.

President Kennedy's speech, June 10, 1963 on the Urgency of World Peace

Here, it appears highly significant that President Eisenhower's compelling concerns of 1961, were soon closely reflected by another President, John F. Kennedy, who also had experienced war and well understood the critical importance of preventing it, most urgently the nonsensical mutually-destructive nuclear holocaust threatening between the US and the USSR which his combined efforts had so recently averted during the 1962 Cuban Missile Crisis. On this fateful issue, it is illuminating to read President Kennedy's Commencement Address at American University on June 10, 1963 just 5 months before his assassination. The following quotes give a sense of his most insightful wisdom, but its highly-recommended full content is available at:
http://www.jfklibrary.org/AssetViewer/BWC7I4C9QUmLG9J6I8oy8w.aspx

"I have, therefore, chosen this time and this place to discuss a topic on which ignorance too often abounds and the truth is too rarely perceived--yet it is the most important topic on earth: world peace. What kind of peace do I mean? What kind of peace do we seek? Not a Pax Americana enforced on the world by American weapons of war. Not the peace of the grave or the security of the slave. I am talking about genuine peace, the kind of peace that makes life on earth worth living, the kind that enables men and nations to grow and to hope and to build a better life for their children--not merely peace for Americans but peace for all men and women--not merely peace in our time but peace for all time. I speak of peace because of the new face of war. Total war makes no sense in an age when great powers can maintain large and relatively invulnerable nuclear forces and refuse to surrender without resort to those forces. It makes no sense in an age when a single nuclear weapon contains almost ten times the explosive force delivered by all the allied air forces in the Second World War. It makes no sense in an age when the deadly poisons produced by a nuclear exchange would be carried by wind and water and soil and seed to the far corners of the globe and to generations yet unborn. .....

First: Let us examine our attitude toward peace itself. Too many of us think it is impossible. Too many think it unreal. But that is a dangerous, defeatist belief. It leads to the conclusion that war is inevitable--that mankind is doomed--that we are gripped by forces we cannot control. We need not accept that view. Our problems are manmade--therefore, they can be solved by man. And man can be as big as he wants. No problem of human destiny is beyond human beings. ....

Let us focus instead on a more practical, more attainable peace - based not on a sudden revolution in human nature but on a gradual evolution in human institutions--on a series of concrete actions and effective agreements which are in

the interest of all concerned. ..... It must be dynamic, not static, changing to meet the challenge of each new generation. For peace is a process--a way of solving problems. ..... World peace, like community peace, does not require that each man love his neighbor--it requires only that they live together in mutual tolerance, submitting their disputes to a just and peaceful settlement. And history teaches us that enmities between nations, as between individuals, do not last forever.

Second: Let us reexamine our attitude toward the Soviet Union. .... Among the many traits the peoples of our two countries have in common, none is stronger than our mutual abhorrence of war. Almost unique among the major world powers, we have never been at war with each other. And no nation in the history of battle ever suffered more than the Soviet Union suffered in the course of the Second World War. At least 20 million lost their lives. Countless millions of homes and farms were burned or sacked. A third of the nation's territory, including nearly two thirds of its industrial base, was turned into a wasteland--a loss equivalent to the devastation of this country east of Chicago. Today, should total war ever break out again--no matter how--our two countries would become the primary targets. It is an ironic but accurate fact that the two strongest powers are the two in the most danger of devastation. All we have built, all we have worked for, would be destroyed in the first 24 hours. And even in the cold war, which brings burdens and dangers to so many nations, including this Nation's closest allies--our two countries bear the heaviest burdens. For we are both devoting massive sums of money to weapons that could be better devoted to combating ignorance, poverty, and disease. We are both caught up in a vicious and dangerous cycle in which suspicion on one side breeds suspicion on the other, and new weapons beget counterweapons. In short, both the United States and its allies, and the Soviet Union and its allies, have a mutually deep interest in a just and genuine peace and in halting the arms race.

Third: Let us reexamine our attitude toward the cold war, remembering that we are not engaged in a debate, seeking to pile up debating points. We are not here distributing blame or pointing the finger of judgment. We must deal with the world as it is, and not as it might have been had the history of the last 18 years been different. We must, therefore, persevere in the search for peace in the hope that constructive changes within the Communist bloc might bring within reach solutions which now seem beyond us. We must conduct our affairs in such a way that it becomes in the Communists' interest to agree on a genuine peace. Above all, while defending our own vital interests, nuclear powers must avert those confrontations which bring an adversary to a choice of either a humiliating retreat or a nuclear war. To adopt that kind of course in the nuclear age would be evidence only of the bankruptcy of our policy--or of a collective death-wish for the world. .... I am taking this opportunity, therefore, to announce two important decisions in this regard. First: Chairman Khrushchev, Prime Minister Macmillan, and I have agreed that high-level discussions will shortly

begin in Moscow looking toward early agreement on a comprehensive test ban treaty. .... While we proceed to safeguard our national interests, let us also safeguard human interests. And the elimination of war and arms is clearly in the interest of both. No treaty, however much it may be to the advantage of all, however tightly it may be worded, can provide absolute security against the risks of deception and evasion. But it can--if it is sufficiently effective in its enforcement and if it is sufficiently in the interests of its signers--offer far more security and far fewer risks than an unabated, uncontrolled, unpredictable arms race. The United States, as the world knows, will never start a war. We do not want a war. We do not now expect a war. This generation of Americans has already had enough--more than enough--of war and hate and oppression. We shall be prepared if others wish it. We shall be alert to try to stop it. But we shall also do our part to build a world of peace where the weak are safe and the strong are just. We are not helpless before that task or hopeless of its success. Confident and unafraid, we labor on--not toward a strategy of annihilation but toward a strategy of peace."(JFK)

Most unfortunately, to date (2015) the option to stockpile nuclear weapons and choose nuclear war, has not been done away with by formal treaty or other agreement, – nor even recognized *by the nuclear powers* as a sane choice. Of course, that would have meant honouring, by implementation, the Nuclear Non-proliferation Treaty's Article V which obliges nuclear powers to abolish their nuclear weapons' stocks, an essential condition of the original bargain with non-nuclear powers who had solemnly agreed not to make or otherwise acquire them. That aside, what a wonderfully sensitive, commonsense, intelligent, humane speech by President Kennedy. Indeed, it is one that we may still hope will inspire benevolent policies directed towards a future mutually-beneficial, sustainable, peaceful world. (JFK ; JSa2 ; JSa3)

Post-Cold War Terrorism and its 'War of the Future' Response

Just reflect on what advantages might have ensued after the 1989 break-up of the USSR had there been different US responses to terrorism. Here I refer to extreme provocations by Islamist terrorist groups such as the two horrendous terrorist attacks on US embassies in Kenya and Tanzania, East Africa, on August 8, 1989. For, what then happened in response was a devastating US Tomahawk cruise missile attack on Sudan's $100 million El-Shifa Pharmaceuticals factory in Khartoum. US Secretary of State Madeleine Albright's reason cited the need to combat terrorism as the 'war of the future', she going on to claim the factory capable of producing nerve gas. No evidence to substantiate this claim was advanced. Moreover, indirectly indicating that it had in fact 'made a mistake', the US finally lifted the freeze it had placed on the factory owner's assets, - but this only after months of delay.

From a world perspective, that was not a good start. But it gets far more serious

because although not a great number were injured or killed by the missile's immediate blast and fire, the factory was then unable to go on producing the medicines and immunizing agents that Sudan's population and all its farm animals relied on for their health and in many cases their very existences. So the attack triggered a steadily-mounting burden of ill-health and lost lives, the Boston Globe's Jonathan Belke indicating that, "*…tens of thousands of people—many of them children—have suffered and died from malaria, tuberculosis, and other treatable diseases."* And to make things far worse, not only the absence of an apology, but no financial compensation to enable the import of replacement life-saving drugs or to re-build Sudan's 'Pride of Africa' $100-million plant. After all, this plant produced 90 percent of Sudan's major pharmaceutical products, and ongoing sanctions against Sudan made it impossible to import adequate medicines needed to cover the serious gap left by its destruction.(JB)

For some, all this may seem a 'normal' hazard to be borne by Islamic populations suspected of involvement in terrorism, but one must keep in mind that the world 'outside the West' will see only the hideously insensitive 'punish on suspicion' double standard. Also, one must recognize that among those Muslims who feel that way there will be a minority who take it on themselves to 'pay back' in kind, as may well have been the case not so much later with the Twin Towers attack on 9/11, 2001. (JB; JSa4 ; IB1,Appendix J)

Indeed, since that time it has become clear that the continuation of Western 'shock and awe' violence (mostly *massive terrorism from-the-air*) has triggered continued low-grade terrorism from affronted Islamists right across the Western world (New York, London, Paris, Copenhagen, etc). The relative weakness of such responses reflects their extreme contrast in power, but their ongoing expanded and widely-scattered unpredictability indicates that they are here to stay at least until some agreed accord is affirmed. For as Jeffrey Sachs explains the stand-off, "*Yet, in most cases, terrorism is not rooted in insanity. It is more often an act of war, albeit war by the weak rather than by organized states and their armies. Islamist terrorism is a reflection, indeed an extension, of today's wars in the Middle East. And with the meddling of outside powers, those wars are becoming a single regional war – one that is continually morphing, expanding, and becoming increasingly violent.*

From the jihadist perspective – the one that American or French Muslims, for example, may pick up in training camps in Afghanistan, Syria, and Yemen – daily life is ultra-violent. Death is pervasive, coming as often as not from the bombs, drones, and troops of the United States, France, and other Western powers. And the victims are often the innocent "collateral damage" of Western strikes that hit homes, weddings, funerals, and community meetings." (JSa4)

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9/11, Dwindling Resources and Mercantile Wars, - But to What End!?

It may never be easy to identify, locate and punish those specifically responsible for heinous Islamist (or other) terrorist acts, yet clearly one thing certain is that 'shock and awe' bombing of whole populations, (like those of Afghanistan, then Iraq) is the surest way to miss the guilty and make enemies of the innocent: the men, women and children majority who were in no way responsible. And thus to extend what could well become endless counter-productive wars and terrorist responses, - 'pay-back' conflicts which at base stem from the world's diminishing reserves of oil and gas. For although at the outset there might have seemed some prospect of a common understanding between national leaders on the issues, yet following those brutal shock and awe beginnings the always divided Afghan (and now Iraqi) responses have never looked like attaining the confidence essential to any mutually satisfied accomodation.

Also, one must keep in mind that as Jeffrey Sachs recently emphasized, the awful historical truth stems from the West's highly exploitative, self-serving involvement in Middle East 'oil politics' for over a century. For example, Britain's First Sea Lord, 'Jackie' Fisher's prime reason for an immediate attack on Turkey in 1915, "…*with troops now in Egypt at Haifa and Alexandretta, the latter to be the REAL occupation because of its inestimable value as regards the oil fields of the Garden of Eden….."* - as documented in *The World Crisis*, Winston Churchill's epic study. (WC3ii, 95-6)

For, as Sachs aptly put it, *"We in the West hate to acknowledge – and most refuse to believe – that our leaders have been flagrantly wasteful of Muslim lives for a century now, in countless wars and military encounters instigated by overwhelming Western power. What is the message to Muslims of the US-led invasion of Iraq in 2003? More than 100,000 Iraqi civilians – a very conservative estimate – died in a war that was based on utterly false pretenses. The US has never apologized, much less even recognized the civilian slaughter."*(JSa4 ; JSa3)

Thus even today Sachs' honest account of the West's dismal record of distorted international 'trade' has brought forth howls of denial and dismay that anyone should upset the West's reputation by delving into historical causes and myths. Moreover, in tune with that history it was 9/11 that was used as the George W. Bush Administration's 'justification' to launch its 2003 US attack on Iraq on the fictitious grounds that Iraq had engineered the Twin Towers attack, - notwithstanding that 15 of the 19 hijackers were Saudis. And in any case this invasion was just part of the US's 'proactive' mission to control the Middle East along with its vast resources. Indeed, that Administration had already advanced its central ideas about the proper role of US leadership considerably earlier, that role being *'full spectrum dominance'* across the entire World, its people, its military power and other resources, including its control of space. It was also about the subjection of small *weak* nations, e.g. North Korea, defined as *'Axis of*

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Evil' states on which the US, enhanced by its *'Revolution in Military Affairs',* had the 'right' to make pre-emptive wars, including nuclear 'block-buster' attacks. And all this bizarre nonsense in defiance of America's long-held solemn commitment to abide by the *Charter of the United Nations* of which it had been prime mover and author. For further background on the evolution of the above unreal ambitions, see David Anderson's *'Dick Cheney's Song of America, Drafting a plan for global dominance'* in Harpers Magazine, October 2002 (Archive), May 14, 2014.(DA)

So, 9/11 being the supposed 'justification' for the attack on Iraq, - one of the world's major reserves of oil, - its urgency was claimed on the further grounds that Iraq might at any moment, with its alleged 'weapons of mass destruction', strike Western countries like Britain. Consequently, as with Afghanistan, the US attack opened with an extremely powerful widespread 'shock and awe', aerial attack on Baghdad's and other Iraqi populations which resulted in horrifying casualties: extremely large numbers of hapless victims, - hapless since already these folk had suffered over 10 years of US sanctions focused on Iraq's innocent men, women and their even more vulnerable children.

And although on May 3, 2003, President George W. Bush declared 'victory', yet still today 12 years on, that now greatly amplified out of control war continues with no end in sight. Needless to say, the costs of this conflict are immeasurable, not least to the Iraqis whose casualties continue to mount as countless deaths and injuries, not to mention the ongoing civil war, their security gone, natural environments wrecked and thus a hugely disabled economy left for its people to deal with. But, to Americans and the world? Well, for far too many young US soldiers, death, or frightful long-term disablement with shamefully inadequate funding for proper care and rehabilitation. And, for Americans at large, a great deal less security than before the war and getting worse by the day. Moreover, the overall cost in dollars? See below, but well over $3 Trillion, with unknown additions ahead. (JES&LB ; JaKG5 ; JaS4 ; JaS3 ; AJB)

Accordingly, in view of the highly unstable state of the warring Middle East, loaded with its stupendous oversupply of arms - all of it beyond intelligent control, - one must try to comprehend the true total human costs stemming from the tragic 2003 US/British/Australian invasion of Iraq, with its now greatly heightening Shia/Sunni/ISIS civil war; enormous additional losses flowing from the hideously tragic civil-cum-international wars in Syria and The Lebanon; the ever-growing losses from (illegally nuclear-armed) Israel with its way of bombarding Gaza's civilian population and, whenever it might fancy, that of Iran - and who knows who or what beyond? For, it is all so negative and patently counter-productive, both for those nations and their neighbours, - not to mention the rest of our dismayed, frustrated and angry world which ever since WW2 has so patiently awaited the promised moral leadership of a democratic 'free world'.

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For, as Jeffrey Sachs stressed in '*The Waste of War: Why Global Instability Does Not have to End as Badly as it did in 1914'*, "*War in the industrial age is tragedy, disaster, and devastation; it solves no political problems. War is a continuation not of politics, but of political failure.*

WWI ended four imperial regimes: the Prussian (Hohenzollern) dynasty, the Russian (Romanov) dynasty, the Turkish (Ottoman) dynasty, and the Austro-Hungarian (Habsburg) dynasty. The war not only caused millions of deaths; it also left a legacy of revolution, state bankruptcy, protectionism, and financial collapse that set the stage for Hitler's rise, World War II, and the Cold War.

We are still reeling today. Territory that was once within the multi-ethnic, multi-state, multi-religious Ottoman Empire is again engulfed in conflict and war, stretching from Libya to Palestine-Israel, Syria, and Iraq." (JSa4)

And yet, as Andrew Bacevich pointed out, already by 1795 James Maddison had cautioned his fellow Americans regarding the price of war to their freedom, their democracy, since, *"Of all the enemies of public liberty war is perhaps the most to be dreaded, because it comprises and develops the germ of every other. War is the parent of armies. From these proceed debts and taxes. And armies and debts and taxes are the known instruments for bringing the many under the domination of the few….. No nation could preserve its freedom in the midst of continual warfare."*(AJB)

Also, one must keep in mind the financial costs of all these wars and the many others across the world, for while they contribute nothing that is positive in the way of security, all continue to undermine the strength of the US and other economies involved. For, as James K. Galbraith emphasized in 2006, although at first such wars 'go well' for the initiator's economy, yet as earlier predicted by Lawrence Lindsay (quoted in *Wall Street Journal*, 15 September 2002) such wars thereafter become not only a serious drain, but soon begin to undermine both the US economy and its security in general. Hence, as Galbraith put it, *"As the "Pax Americana" goes to hell in Iraq - producing a nervous breakdown among the pro-war elites - let's remember that security and finance are linked. Typically, the country that provides global economic security enjoys the use of its financial assets in world trade. And when the security situation changes, that privilege can be revoked. The consequences are unpleasant. Ask the British: after the sterling area folded, it took a generation for the UK to come all the way back."*(JaKG2)

Moreover, as pointed out by Everett Thiele, there have been other wise cautions on undermining the very security sought via misjudged uses of military power. Here, just two paragraphs,

"It is exactly this long term effect that historian Paul Kennedy discusses in his 1987 classic 'The Rise and Fall of the Great Powers'. Kennedy focuses on the relationship of economic to military power as it affects the rise and fall of powers

from 1500 to the present. In all cases the rise of power is marked initially by exceptional economic strength but eventually the high cost of the military becomes too much of a burden, and the economy and power of the state weaken drastically. In the words of Kennedy:

"Once their productive capacity [is] enhanced, countries…normally find it easier to sustain the burdens of paying for large-scale armaments in peacetime and of maintaining and supplying large armies and fleets in wartime. It sounds crudely mercantilistic to express it this way, but wealth is usually needed to acquire and protect wealth. If, however, too large a portion of the state's resources is diverted from wealth creation and allocated instead to military purposes, then that is likely to lead to a weakening of national power over the longer term."(ET; PK)

Yes, indeed, for as Professor Kennedy indicates it sounds crudely mercantilistic, but that is precisely what it is, - what the West has in fact long maintained in its original self-serving spirit, thus extending and so preserving the true essence of the corrupt, exploitative, combative, debt-accumulating, mercantile system it inherited from Europe, - the system so roundly condemned by Adam Smith.(AS_WN, IV.3.38 ; AS_WN, IV.7.166; AS_WN, V.1.119))

Hence, for the West not to pull back from all such mercantile activity, including its wars, continuing vast arms production and arms trading, is simply to be inviting ongoing instability, with endless repeats of similarly down-spiraling economic and other human catastrophes. And here, let us keep in mind two key issues. First, that the financial support to the Pentagon is some 20 times that provided to the Department of State which is responsible for all diplomacy essential to good international order. Secondly, the simply extraordinarily high costs involved in funding America's military bases at home, as well as those 725 across the world, - plus the vast dollar amounts committed to the very wide range of nuclear and conventional armaments accumulating in ever greater quantities since WW2, year by year, decade by decade, - on to the present day. Now, as that figure is at least in the order of some $20 Trillion, a figure that through ongoing military expenditures and current wars such as the extended war in Iraq and surrounds, will amount to another $3.5 trillion or so, it is imperative that the underlying real costs be recognized.(CJ ; NC ; JES&LB ; JaKG2 ; PK ; JSa4)

For it is not just that that amount of 'money' is as great as it is, but the far greater reality that such wealth has been diverted from the myriad urgent projects required to refit seriously debilitated civil infrastructure, as well as those needed to establish entirely feasible projects to supply renewable sources of energy. Indeed, projects that could readily provide the essential bridge to tide the US and world's peoples, beset by fast-disappearing fossil fuel/gas reserves, into new economically-sustainable systems essential to the survival of parallel societies. (After all, as long ago wonderfully expressed by Thomas Berry, - and more recently emphasized by Jeffrey Sachs, - recognized or not, all societies share a

vital need for the protection of Nature in its resource and all other aspects, for such protection is the very key to societies' ongoing well-being, indeed, their common survival).(TB ; JSa5)

Indeed, such bridges are easy to envision, since each days' incident solar energy is readily trappable, storable and a thousand-fold the energy humans could possibly need, let alone use. And as for oil, literally trillions of algae are 'standing by', awaiting their mega culture-tanks to begin the production of ample oil sources required for the production of fuels, lubricants, fertilizers, animal feeds, plastics and surfactants to tide the world through to sustainable economic modes in the longer-term.(SE ; JSh)

That would at least provide for reasonable expectations that our grandchildren – and theirs – our very species, can survive via scenarios *alternative* to the current seemingly ever-accelerating race to corner Nature's fast-disappearing energy, rare, and other diminishing resources 'before others do', - and the consequent ever-increasing international frictions, barren contests and wars across the world. For, as should be obvious, such current counter-productive responses to the energy crisis is no solution, but instead the clear road to endless conflict on the current race to nowhere. Thus, as Michael T. Klare outlines the situation in today's world, "*Iraq, Syria, Nigeria, South Sudan, Ukraine, the East and South China Seas: wherever you look, the world is aflame with new or intensifying conflicts. At first glance, these upheavals appear to be independent events, driven by their own unique and idiosyncratic circumstances. But look more closely and they share several key characteristics – notably, a witch's brew of ethnic, religious, and national antagonisms that have been stirred to the boiling point by a fixation on energy.*

In each of these conflicts, the fighting is driven in large part by the eruption of long-standing historic antagonisms among neighboring (often intermingled) tribes, sects, and peoples. In Iraq and Syria, it is a clash among Sunnis, Shiites, Kurds, Turkmen, and others; in Nigeria, among Muslims, Christians, and assorted tribal groupings; in South Sudan, between the Dinka and Nuer; in Ukraine, between Ukrainian loyalists and Russian-speakers aligned with Moscow; in the East and South China Sea, among the Chinese, Japanese, Vietnamese, Filipinos, and others. It would be easy to attribute all this to age-old hatreds, as suggested by many analysts; but while such hostilities do help drive these conflicts, they are fueled by a most modern impulse as well: the desire to control valuable oil and natural gas assets. Make no mistake about it, these are twenty-first-century energy wars.

It should surprise no one that energy plays such a significant role in these conflicts. Oil and gas are, after all, the world's most important and valuable commodities and constitute a major source of income for the governments and corporations that control their production and distribution. Indeed, the

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governments of Iraq, Nigeria, Russia, South Sudan, and Syria derive the great bulk of their revenues from oil sales, while the major energy firms (many state-owned) exercise immense power in these and the other countries involved." (MK4)

And as any of these current conflicts could get totally out of hand, a far saner approach to the resources problem must be found. For clearly the present response, the 'formula to nowhere', endless mounting conflicts, is a clear 'no winner' approach presaging the sort of dire consequences that, at all costs, simply must be avoided.(MK1 ; MK2 ; MK3 : MK4) For, if we choose the wrong path, there can be only one final outcome, one resembling a greatly heightened version of the First World War, namely that the surviving members of the populations of all belligerent nations would in all respects emerge as mutual losers.(WC4, 30-1 ; WC5i ; LG ; MG2 ; MG4 ; JMK1 ; ER ; VB ; NC ; JES&LB ; ET ; PK ; JSa3)

Yet, in reality, far far worse because integral to the conflict process, the very health of the Natural world (on which all so critically depend) would have tipped into irreversible collapse, - not just the war-caused destruction of cities, peoples, animals and arable lands, but the residual weather-wrecking pollution of air, soil and water, and (with wars knowing no limits) the by-then all but totally depleted key resources. And since, along that road to hell would come calls for the final arbiter and 'key to victory' ('decisive' nuclear power) such would certainly trigger our arrival, together - in the ultimately 'decisive' bottomless pit.

Dire Economic Effects of Ongoing Arms Build-ups, & Creative Alternatives

Here I want briefly to return to the effect the Cold War was allowed to have on the pattern of US heavy industry, its effect on arms production, how that further aggravated the Cold War prospects for world peace with security, and its downsides on the health of economies everywhere. After all, by all historical standards, today's nation states have all the wealth needed to support their populations in security and comfort. So what is needed is simply a more *workable* distribution of nations' existing aggregate wealth which, instead of being corruptly 'syphoned to the top' by the already obscenely wealthy, could and thus should be attained within a short time via a strictly fair-trading and thereby *sustainable* market system. For if in high places corruption i.e., cheating in all its forms, is treated as 'the norm', - where it is deemed 'just another feature of competitiveness', - then we will continue on the current catastrophic track. (AS_MS ; AS_WN ; ER&AS ; AS ; NP ; JSa1 ; JSa3 ;BT3 ; DK1 ; DK2 ; DK3)

So the alternative must be those programs aimed at constructive economic developments to assist the poorest sectors of one's country, in conjunction with the world community, to become economically self-sustaining and thus, (as Smith well understood) able, willing and more than happy trading partners adding to the world's mutual well-being.(AS_WN, IV.7.166 ; JSa1 ; JSa3 ; JSa4 ; AS ; ER&AS ; JSch ; MY_KW)

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Yet, as we have seen ever since the early post WWII years, instead of such positive developments, indeed, making things far worse has been the effect of the misguided enormous expansions of the nuclear and conventional arms industries of both sides of the nuclear-armed, and so misnamed 'Cold War'. Of course the US was way ahead, but that made efforts within the USSR all the more desperate to keep up with a counter-deterrent, especially as it was fully aware of all the preparations and intense 'war talk' in the US, Britain, Australia and beyond. (c.f., p.53-55) But now, having realized the acutely destabilizing effects that such competitive arms build-ups have on international security, it must be stressed how seriously they also undermine the well-being of *all* national economies. That is not to deny the remarkable rejuvenation of the historically highly-developed US economy during WWII. However, in the case of the USSR's post-WWII economy which, attempting to 'keep up', had put consumer satisfactions on the back burner in favour of its nuclear and heavy industries, - one can readily appreciate how decisive a factor that played in *its* economy's eventual (1989) collapse. Moreover, notwithstanding that that collapse has made little if any difference to armaments output in the US, it must not be imagined that even highly developed industrial economies like that of the US could remain immune from the gravest economic damage from such open-ended cumulative arms build-ups over the longer term.

From President Eisenhower's testimony that the US arms program was 'permanent', it was clearly indicated that there was no expectation that the alleged threat from the USSR would ever cease to exist. But by the same token, there was a clear implication that should such a threat disappear, then the US economy could indeed be spared the extreme high costs of those immense 'permanent' arms industries. Indeed, from his concluding paragraphs, we can readily imagine President Eisenhower's disappointment concerning that by-passed opportunity, for clearly he well appreciated the simply enormous potential for positively productive alternatives as the key to freeing up the resources necessary to satisfy the needs of US citizens and others across the world via peace-oriented production and vastly increased trade exchanges.(PDE)

So, other than keeping the US arms industries fully occupied to support its economic growth, once the USSR gave up 'trying to keep up' in that counter-productive race, there was no reason for the US not to cut defence outlays way back, sharply reduce the inventories of both nuclear and conventional weapons, cut the excessive number of its world-wide defence bases, - and put a stop to arms exports of all kinds, including massive transfers to Middle East states in exchange for oil. That is because all these exports and long-accumulating non-productive inventories not only cost government and taxpayer, but they remain an extraordinarily high economic opportunity cost blocking the way to much-needed production and exchange. And, as each night we currently see on TV, these vast armaments are continuing to amplify insecurity across the world in an illogical alarmingly counter-productive way.

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Solving Today's Business Failures by Better Understanding the Past

At hand today there is a wealth of expertise, from economists, historians and others of extraordinary insight, ability and good will to advise governments and society in general on the origins and remedies necessary to mend the current economic, social and other failures across the world. As already noted, in all such past 'market' failures a major factor has been the catastrophic drop in demand.(JH; JKG2, 192,193) Likewise, in the present crises. For example, as documented by James Galbraith's team, Joseph Stiglitz, and others in the US, a key feature underlying the recent disastrous failures has been the drop in remuneration levels for lower and middle level workers, this trend going back some decades, from the early 1970s.(JaKG1 ; JES1) Hence, sound evidence for the same low demand factor that precipitated the Great Depression, - one so deep it was not overcome until the US's involvement in WW2.(JKG2, 192, 193 ; DK)

And no prizes for guessing, but at heart the underlying basis of all this collapsed demand was and remains various forms of unfair trading, cheating and illegality. That is, by one means and another, including larceny and fraud, all of which clearly indicates serious corruption among society's top echelons. Indeed, ever since the time of Adam Smith, the urge to attain unfair advantage over other traders has been an unremitting continuum. And, as we have seen, in very many instances that has been with the assistance of government through legalized monopoly, or collusion via oligopoly - such being tolerated, ignored. All such means remain a major bar to the stability attainable via fair trading. For example, in the financial housing (and other) bubbles which have involved a great deal of illicit activity in the run up to the recent crisis. Thus, notwithstanding the long-extended urgent appeals of distressed loan appraisers, the most powerful financial institutions acted as facilitators, they greatly gaining from the whole unsustainable bubble process to which US government regulators had been deaf and blind.(see William K. Black, below) By 2011 several official enquiries had been underway or completed. I quote excerpts from just three, but since so much at stake is revealed, the original full texts (see links) deserve close examination

1. Statement by James K. Galbraith

A few short excerpts from James K. Galbraith, (Lloyd M. Bentsen, jr. Chair in Government/Business Relations, Lyndon B. Johnson School of Public Affairs, The University of Texas at Austin). His full Statement, given before the *Subcommittee on Crime, Senate Judiciary Committee*, May 4, 2010, which deals with fraud at the root of the financial crisis is reproduced below in Addendum 1.
http://utip.gov.utexas.edu/Flyers/GalbraithMay4SubCommCrimeRV.pdf
http://economistsview.typepad.com/economistsview/2010/05/the-role-of-fraud-in-the-financial-crisis.html

"A famous 1993 article entitled "Looting: Bankruptcy for Profit," by George Akerlof and Paul Romer, drew exceptionally on the experience of regulators who

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understood fraud. The criminologist-economist William K. Black of the University of Missouri-Kansas City is our leading systematic analyst of the relationship between financial crime and financial crisis. Black points out that accounting fraud is a sure thing when you can control the institution engaging in it: "the best way to rob a bank is to own one." The experience of the Savings and Loan crisis was of businesses taken over for the explicit purpose of stripping them, of bleeding them dry. This was established in court: there were over one thousand felony convictions in the wake of that debacle. Other useful chronicles of modern financial fraud include James Stewart's Den of Thieves *on the Boesky-Milken era and Kurt Eichenwald's* Conspiracy of Fools, *on the Enron scandal. Yet a large gap between this history and formal analysis remains."*

"Ask yourselves: is it possible for mortgage originators, ratings agencies, underwriters, insurers and supervising agencies NOT to have known that the system of housing finance had become infested with fraud? Every statistical indicator of fraudulent practice – growth and profitability – suggests otherwise. Every examination of the record so far suggests otherwise. The very language in use: "liars' loans," "ninja loans," "neutron loans," and "toxic waste," tells you that people knew. I have also heard the expression, "IBG,YBG;" the meaning of that bit of code was: "I'll be gone, you'll be gone."

"Let us suppose that the investigation that you are about to begin confirms the existence of pervasive fraud, involving millions of mortgages, thousands of appraisers, underwriters, analysts, and the executives of the companies in which they worked, as well as public officials who assisted by turning a Nelson's Eye. What is the appropriate response?

"Some appear to believe that "confidence in the banks" can be rebuilt by a new round of good economic news, by rising stock prices, by the reassurances of high officials – and by not looking too closely at the underlying evidence of fraud, abuse, deception and deceit. As you pursue your investigations, you will undermine, and I believe you may destroy, that illusion.

"But you have to act. The true alternative is a failure extending over time from the economic to the political system. Just as too few predicted the financial crisis, it may be that too few are today speaking frankly about where a failure to deal with the aftermath may lead.

"In this situation, let me suggest, the country faces an existential threat. Either the legal system must do its work. Or the market system cannot be restored. There must be a thorough, transparent, effective, radical cleaning of the financial sector and also of those public officials who failed the public trust. The financiers must be made to feel, in their bones, the power of the law. And the public, which lives by the law, must see very clearly and unambiguously that this is the case. Thank you." (JaKG4)

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2. Statement by Criminologist-economist William K. Black

Excerpts from William Black's blog which relate to the above-cited Galbraith Statement. William K. Black, criminologist-economist, a recognised expert on the close links of financial crime to financial crisis, relates just how two sentences from p.18 of the *US FCIC Report* (see below) explain the basis of the financial crisis – and thus how easy that crisis could have been avoided:

"Everyone should read and understand the implications of these two sentences from the 2011 report of the Financial Crisis Inquiry Commission (FCIC).

"From 2000 to 2007, [appraisers] ultimately delivered to Washington officials a petition; signed by 11,000 appraisers... it charged that lenders were pressuring appraisers to place artificially high prices on properties. According to the petition, lenders were 'blacklisting honest appraisers' and instead assigning business only to appraisers who would hit the desired price targets"(FCIC, 2011:18).

"Those two sentences tell us more about crisis' cause, and how easy it was to prevent, than all the books published about the crisis -- combined. Here are ten key implications."

"1. The lenders are extorting the appraisers to inflate the appraisal.

2. No honest lender would inflate an appraisal, the lender's great protection from loss.

3. The lenders were overwhelmingly the source of mortgage fraud.

4. The lenders were not only fraudulent, but following the "recipe" for "accounting control fraud." They were deliberately making enormous numbers of bad loans.

5. This had to be done with the knowledge of the bank CEOs. ....

6. Fraudulent loan origination creates a "Gresham's" dynamic (bad ethics drives good ethics from the marketplace or profession because cheaters prosper) will be created among lenders.

7. The Gresham's dynamic and the fraud "recipe" cause an enormous expansion in bad loans. This can hyper-inflate a financial bubble. ....

8. Once fraudulent loans are fraudulently originated they cannot be cured. ....

9. The Gresham's dynamic that causes us the most wrenching pain as regulators is the one that the officers controlling the fraudulent lenders deliberately created among appraisers.....

10. The U.S. government did nothing in response to the appraisers' petition

warning about the black list of honest appraisers. ....” (N.B., No.’s 5-10 attenuated) Full blog text at :
file:///Users/ianbuckley/Desktop/Bill%20_Black2_Sent%20.webarchive (WB)

3. Text of the US Financial Crisis Inquiry Commission (FCIC):

(Link for **full text here**: http://www.gpo.gov/fdsys/pkg/GPO-FCIC/pdf/GPO-FCIC.pdf)

“FINAL REPORT OF THE NATIONAL COMMISSION ON THE CAUSES OF THE FINANCIAL AND ECONOMIC CRISIS IN THE UNITED STATES

Submitted by THE FINANCIAL CRISIS INQUIRY COMMISSION

Pursuant to Public Law 111-21 January 2011

OFFICIAL GOVERNMENT EDITION”

(N.B., Included are Conclusions; but only as dot points (attenuated) shown hereunder:)

“CONCLUSIONS OF THE FINANCIAL CRISIS INQUIRY COMMISSION

• *We conclude this financial crisis was avoidable.*

• *We conclude widespread failures in financial regulation and supervision proved devastating to the stability of the nation’s financial markets.*

• *We conclude dramatic failures of corporate governance and risk management at many systemically important financial institutions were a key cause of this crisis.*

• *We conclude a combination of excessive borrowing, risky investments, and lack of transparency put the financial system on a collision course with crisis.*

• *We conclude the government was ill prepared for the crisis, and its inconsistent response added to the uncertainty and panic in the financial markets.*

• *We conclude collapsing mortgage-lending standards and the mortgage securitization pipeline lit and spread the flame of contagion and crisis.*

• *We conclude over-the-counter derivatives contributed significantly to this crisis.*

• *We conclude the failures of credit rating agencies were essential cogs in the wheel of financial destruction.”*

(The following, at *xxviii* are concluding paragraphs of the FCIC’s **Conclusions**)

“WHEN THIS COMMISSION began its work 18 months ago, some imagined that the events of 2008 and their consequences would be well behind us by the time we issued this report.

Yet more than two years after the federal government intervened in an unprecedented manner in our financial markets, our country finds itself still grappling with the after effects of the calamity. Our financial system is, in many respects, still unchanged from what existed on the eve of the crisis. Indeed, in the wake of the crisis, the U.S. financial sector is now more concentrated than ever in the hands of a few large, systemically significant institutions.

While we have not been charged with making policy recommendations, the very purpose of our report has been to take stock of what happened so we can plot a new course. In our inquiry, we found dramatic breakdowns of corporate governance, profound lapses in regulatory oversight, and near fatal flaws in our financial system. We also found that a series of choices and actions led us toward a catastrophe for which we were ill prepared. These are serious matters that must be addressed and resolved to restore faith in our financial markets, to avoid the next crisis, and to re-build a system of capital that provides the foundation for a new era of broadly shared prosperity.

The greatest tragedy would be to accept the refrain that no one could have seen this coming and thus nothing could have been done. If we accept this notion, it will happen again.

This report should not be viewed as the end of the nation's examination of this crisis. There is still much to learn, much to investigate, and much to fix.

This is our collective responsibility. It falls to us to make different choices if we want different results." (US_FCIC, *xxviii*)

Corporations and Corruption of Fair-Trade, Past and Present

As noted in these sobering Conclusions of the FCIC Report regarding today's serious breakdowns in the finance corporate system (Para 1 above), we read:

"Our financial system is, in many respects, still unchanged from what existed on the eve of the crisis. Indeed, in the wake of the crisis, the U.S. financial sector is now more concentrated than ever in the hands of a few large, systemically significant institutions. ……. In our inquiry we found dramatic breakdowns of corporate governance, profound lapses in regulatory oversight, and near fatal flaws in our financial system."

Needless to say, this raises the serious issue of whether all financial and other types of corporate business failure stem from the very aims, design and operations of corporations, - coupled, as they are to governmental support. For example, the US's largest investment banks which backed the now-collapsed housing bubble are the very ones that have come out 'on top', - even larger and wealthier than before. And this, not only through being 'bailed out' by government but, with no charges laid remaining unaccountable, untouched by the law! In contrast, the financial contributors, the human *sources* of this 'new bubble wealth', have not only lost the houses they had invested in, but left to bear

the cost in homelessness, joblessness and ruined family life - and all without either government or bank compensation. Thus, while the banks have been deemed 'too big to fail' and given enormous government/taxpayer funds, the hapless victims are deemed 'unworthy of assistance'. All of which indicates the grossest corruption involving both government and colluding business corporations, principally investment banks.

Now that brings to mind the above-quoted final paragraph of James Galbraith's Submission which calls for legal recognition and appropriate response to the larcenies committed in generating the housing bubble. For, as he emphasized, *"..... let me suggest, the country faces an existential threat. Either the legal system must do its work. Or the market system cannot be restored. There must be a thorough, transparent, effective, radical cleaning of the financial sector and also of those public officials who failed the public trust. The financiers must be made to feel, in their bones, the power of the law. And the public, which lives by the law, must see very clearly and unambiguously that this is the case."* (JaKG4) That is very true, yet the government's collusion is in direct conflict with its obligation as a democracy to insist on a level playing field for business and the community overall - and thus to ensure that economic justice is a democratic right for everyone. And it is exactly this that makes the corporate world all the more central to the problem, since its collusion with government is at the very core of its origins and modes of operation. After all, these depend on granted 'privileges' (e.g., monopolies) which stand in opposition to any honest fair-trading market system and thus undemocratic in both spirit and practice.

Accordingly, it is important to recognize the close resemblance between the modes of operation of today's corporations, and those of Adam Smith's 'exclusive companies' of producers and merchants which, likewise depending on their government's support, granted them advantages well outside the normal fair-trading system available to all. Hence, the logical conclusion that today's corporations emerged as evolutionary spin-offs from the 'exclusive companies' of Smith's day. Further, to propose that since their 'wealth creation' likewise depends on unfair trading practices, it is reasonable to conclude that they too would share the same liability to instability and financial collapse.

As earlier noted (p.45, 46) both Presidents Jefferson and Lincoln expressed grave concerns regarding the mounting ill effects of corporations on American society, they recognizing the resultant distortions of business dealings, the latter writing of his fear for 'corruption in high places.' Of course, there was a great deal of logic in all such concerns, for as we know from Adam Smith, these Revolutionary Leaders were highly conscious of Britain's mercantile business arrangements which so greatly disadvantaged the trade and people of its otherwise thriving colonies.(AS_WN, IV.7.149 ; IV.7.150 ; IV.7.161) Accordingly, they sought to establish a model society altogether distinct from Europe's stratified, aristocratic societies, - for these were unjust to the point that the British

brought revolution on themselves. Thus, understandably, America's founding leaders were motivated to establish an uncorrupted democracy, one that offered people hope and security with ample opportunities for all. And so, given the aims, constitutions and modes of operation of corporations, there were already sound reasons to fully justify their fears for the realization of a truly democratic future.

In this context, a possibly useful way of viewing the economic role of corporations is as powerful 'nodes' for the generation of liquid assets. Being discrete wealth-producing entities, they have an exclusive existence of their own making which through their structure, internal and external relationships, put them in extremely strong positions across both domestic and foreign communities. Indeed, as sophisticated elaborations of historically earlier versions, they retain what Smith understood as the key to their origins and operational profit. First, their claim to society's recognition of the absolute importance of 'production', - of commodities and/or fluid assets; *everything else*, including, human needs and their satisfactions to be altogether discretionary. (AS_WN, IV.8.49) Then, the claim for special encouragement to the producers and marketers (or, rather the owner-managers of same) by way of monopoly (the 'legal' way of cheating) which their government would grant. Hence, what they insisted be protected, was not only 'production', but it's promotion through favoured treatment, monopoly marketing and finance.

Yet, from any fair democratic society's viewpoint, there must be a better way. For, at base, the effect of monopolies is all about gaining unfair advantage over those with whom one is trading, whether the wage-earner on the factory floor producing the goods, or those purchasing in domestic and/or overseas markets. Moreover, in shrinking the wealth available to all other parties, Smith condemns the very idea of monopoly, he noting, *"All the original sources of revenue, the wages of labour, the rent of land, and the profits of stock, the monopoly renders much less abundant than they otherwise would be. To promote the little interest of one little order of men in one country, it hurts the interest of all other orders of men in that country, and of all men in all other countries."* (AS_WN, IV.7.146) So, it is easy to see where Smith is coming from, - just where his sense of justice and sympathies lie. For, to promote monopoly amongst the favoured few is to authorize unfair (i.e., larcenous) trade. Clearly, our concern must be not only about 'free trade', but about ensuring that trade is both 'free and fair', i.e., just, - of mutual benefit to *all* parties across the board.(DK1)

Accordingly we need to enquire whether the structure and operation of corporations is compatible with any realistic expectation for any free but fair, democratically organized, sustainable market system. Well, as appears clear, not at all! For the larger corporations of today share many features which, in the broad sense are entirely incompatible with any democratic system, whether in national society, or internationally. For a start, these powerful bodies, having no

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democratic constitution internally, are devoid of such a mind-set. Moreover, since their prime function is that of generating liquid asset wealth, they do not link in any obligatory way to any ethical pursuit or political authority, - state, national or otherwise. Indeed, since they are entirely set on wealth creation they are, in effect 'foot-loose', able to proceed in any direction and hence 'free' of any democratic obligation. Thus, not only are they not bound to any one nation but very many are already larger and financially more powerful that many nation states. Thus, as pointed our by David C. Korten, *"Of the hundred largest economies in the world, fifty-one are economies internal to corporations."*(DK2, 8)

Accordingly, as now widely understood, *"The publicly traded, limited liability corporation that is the institutional centerpiece of the corporate global economy is by law and internal structure a single purpose organization in the business of serving the demand of financial markets for ever increasing financial returns. Workers, customers, politicians, and the general public are only means to this end. Whatever products and services the publicly traded corporation may provide are incidental to its primary business purpose of making money. In short it is an economic predator."* (DK3)

Moreover, because the publicly-traded corporation utilizes absentee ownership whereby a major portion of owner interests are locked away in professionally-managed investment funds, the real owners cannot know in which corporations they share. Also, corporate management, being accountable only to its 'blind' owners, will put owner's financial gains ahead of many other interests. And, while the corporation's directors and managers face almost no liability for crimes that may be committed by the corporation, its 'blind' investors are likewise exempt from any such liability for the consequences of corporation behavior, beyond the value of their shares.(DK3)

And, as the increasingly predatory activities of transnational corporations reveal, their approach to international investment policies and disputes with the world's sovereign states (these having self-preservation laws to guard citizen health, justice and general welfare) demonstrates yet further the extent to which these corporations intend to employ undemocratic means to gain control over other peoples' elected governments and populations. For here we see the clearest evidence of anti-democratic intent towards their absolute control of an imposed international investment dispute system of rules and procedures, - control intended to ensure that these will sacrifice democratically-determined citizen needs and welfare for the financial benefit of those corporations. Thus, as Thomas Faunce put it, *"…the US wants a provision in the TPPA allowing foreign corporations to challenge Australian federal or state legislation they consider reduces their investments before a panel of three trade arbitrators appointed by the International Centre for Settlement of Investment Disputes (ICSID) in Washington DC. These arbitrators will be paid by the hour (often over several*

years of proceedings) and will have a vested financial interest in verdicts for such foreign corporations (our government cannot initiate suits before this tribunal).

Their rulings will be ad hoc, with no requirement to take into account constitutional, legislative or international law obligations, or social and environmental benefits." (The Canberra Times, August 7, 2013) Altogether, it reminds us of the reality of Lord Acton's Dictum concerning power and corruption and how inevitably absolute power leads to absolute corruption.(TF ; LA)

Reflecting on the above, one can only agree that there can be no justification for democracies to permit corporations to dominate the economic scene. Indeed since economic domination is at the very core of corporate thinking, - standing as it does at the very apex of self-serving individualism, - such entities should have no place whatever in any democratic society, nor our hoped-for democratic world society. In short, as David Korten puts it, *"The institution of the publicly traded, limited liability corporation is a legalized invitation to organized irresponsibility on a breathtaking scale and it has no more acceptable place in a healthy community than a cancer has in a healthy body."*(DK3)

Disastrous Long-term Effects of Societal Corruption

(a) Abused Religion as Corrupting Evil

As earlier noted, Adam Smith had a clear appreciation of the societal conditions absolutely essential to enable the survival of small groups of humans as over some millions of years, they - ever so gradually - evolved towards settled agriculture. For that survival depended critically on high degrees of mutual concern, care and cooperation. And yet as we know, following the birth of agriculture the growth of population, food surpluses, societal specializations and stratification provided conditions allowing excessively dominant corrupted leadership.(AS_MS; AS_WN, V.1.55 ; JD ; RW) One way of holding on to such non-democratic leadership was via cronies given shares in the assets of the group (its looted 'common wealth') - that is, rule by criminal gang. Another was through agreement with a neighbouring criminal leader for mutual support. Although not universal, such corruptive methods became all too frequent across human society. However, subject to violent overthrow, it was a somewhat tenuous method needing more subtle and less onerous approaches to compliance. Hence what corrupt leadership worked on was compliance based on 'loyalty', not just to the person but to some unifying belief or related set of beliefs. An obvious one was 'the nation', for its protection, which if invaded could be valid. But all too frequently it was invoked 'in the national interest', which almost always was code for 'sectional interest' such as Smith's 'exclusive companies' seeking monopoly (trade-cheating rights) over others in society.

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Of course, religion (re-ligation) began as attempting to understand all manner of mysterious things, - how to explain the unknown through reconnection to an original creator of all things. But while the intention may have been good, no logical way presented until someone postulated 'God' as the explanation of *all* unexplained things, existences (animate and inanimate) and phenomena. Of course such a religious belief, which simply substitutes one unknown for another is not per se corrupted, yet it can very easily become so as soon as 'explanations' and descriptions of God arise from individuals claiming to have been so enlightened through direct advice from the Creator. And although certain high-born Greeks and Romans had claimed themselves to be Gods, such belief did not survive or be as powerful as monotheistic conceptions such as that of 14th Century BCE Egyptian Pharoah Amenhotep who declared himself God's chosen spokesperson on earth, - for that gave him unbounded 'knowledge' and thus authority over all.

This may seem extreme, but it serves to emphasize that it is not religion per se that is corrupted, but corruption via its abuse by those who employ it to gain special (even exclusive) advantage for themselves or related 'sectional interest'. And as illustrated below, because through history far far too many people have been hoodwinked by false 'religious' claims, they have ended up supporting the most unjust, awful, cruel, exploitative 'enterprises', many domestic (e.g., underground child labour) as well as overseas operations, colonizing exploitations, slavery and repeated wars involving conquest and Imperial rivalry. All in the name of national 'greatness' and with the blessing of God, ('we being a Christian nation', etc.).

Understandably, doctrinal versions of Christian religion by their very nature can lead to innumerable false claims since they lack the means of verification. That aside, one should not underestimate the willingness of politicians and others to employ corruption in their versions of 'Christianity' in the worst possible ways, notwithstanding that from its origin, its very source, it was utterly benevolent, free of underhand motives, - commonsense, and wise. Here, of course, I'm thinking of Jesus of Nazareth whose teachings were pure common sense regard for others along with one's self, such emphasizing the Golden Rule, - of such importance for the attainment of mutual regard and fairness across society. Included too, the need to take care of one another, sharing the good things of life, not to be a money grubber, land gobbler, or otherwise avaricious. For the most part, all essentially sound ethical advice to provide practical guidance towards the sort of societal behavior that could give rise to thriving peaceful societies free of unreasonable ambitions and self-regard. Indeed, all of it steering clear of what later became central elements of 'church doctrine'. Hence, free of any mention of the Holy Spirit's role in his origins, no claim to Godhood, indeed, all with the impression of a normal family birth and upbringing by nurturing mother and father and thus no false pretentions. Indeed, given an elementary test in Vatican

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doctrinal theology, Jesus would have failed absolutely and yet, given his ethical insights and teachings, understandably so.

Accordingly, in broad terms it is easy to appreciate the altogether similar ethical approaches of Jesus of Nazareth and Adam Smith in the area of social justice, the essentiality of fairness and sharing as the basis of satisfied societies and a fulfilled world at peace with itself. And, needless to say, Smith was in accord with Jesus on the need to attain modes of living that left acquisitive Empires, Colonialism and contentious wars far behind, since not only was all such behavior unjust, but its further prospect could only be more of the same bellicose activity in an unending race to the bottom. Hardly a heaven on earth! And yet, this is exactly the line of competitive activity that Europe's self-proclaimed Christian nations pursued all the way through to the First World War, - and beyond. For, even at that late period, we can easily recognize the very clear indications of corrupted religion, as if its prime role should be the support of warring empires. As examples, the claims of all belligerent states to have God's support for their war aims and efforts; plus God's support of invoking each country's Christian youth to sacrifice, lay down their lives in the cause of one's Empire's 'greatness', its supremacy.

Thus, for example, many church schools in Britain and Australia conducted religious services for their boys which included the hymn *'I Vow to thee my country'* written in 1908 by English diplomat, Sir Cecil Spring-Rice, (Britain's Ambassador to the USA during WW1) which exhorts boys to follow their nation's politicians' calls (or directives, c.f. Vietnam) to go to war without asking questions as to the rightness of the cause. Indeed, some schools like Ivanhoe Grammar, the one I attended until 1942 still do, it being used to this day. Its first and third verses follow.

I vow to thee, my country, all earthly things above,
Entire and whole and perfect, the service of my love;
The love that asks no question, the love that stands the test,
That lays upon the altar the dearest and the best;
The love that never falters, the love that pays the price,
The love that makes undaunted the final sacrifice.

And there's another country, I've heard of long ago,
Most dear to them that love her, most great to them that know;
We may not count her armies, we may not see her King
Her fortress is a faithful heart, her pride is suffering;
And soul by soul and silently her shining bounds increase,
And her ways are ways of gentleness, and all her paths are peace.
(HYMNS ANCIENT & MODERN REVISED, WILLIAM CLOWES AND SONS, LTD, LONDON (No date given))

Hymn books which include this hymn are hard to find these days, but even they give only those first and third verses. For obvious reasons the second has been

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omitted since it further details the kind of peace the author had in mind, it reading:

I heard my country calling, away across the sea,
Across the waste of waters she calls and calls to me.
Her sword is girded at her side, her helmet on her head,
And round her feet are lying the dying and the dead.
I hear the noise of battle, the thunder of her guns,
I haste to thee my mother, a son among thy sons.

Here, one has to remember that such senior diplomatic and other 'leaders' had no compunction about exhorting the young (always the young) to fight on behalf of their particular interests - portrayed always as 'in the National Interest'. A further example came from Major General Sir Ian Hamilton (who commanded the Gallipoli land campaign), another convinced that a major war (WWI) was not far off. In 1905, just after Japan, Britain's ally of the day, had defeated Russia (Britain's enemy of the day) he wrote, *"Providentially Japan is our ally.....England has time therefore - time to put her military affairs in order; time to implant and cherish the military ideal in the hearts of her children; time to prepare for a disturbed and an anxious twentieth century.....From the nursery and its toys to the Sunday school and its cadet company, every influence of affection, loyalty, tradition and education should be brought to bear on the next generation of British boys and girls, so as deeply to impress upon their young minds a feeling of reverence and admiration for the patriotic spirit of their ancestors."* (Major General Sir Ian Hamilton, "A Staff Officer's Scrapbook", London,1905, vl:l0-13; also quoted in Michael Howard's *"The Lessons of History"* Oxford, 1993 see pp. 109, 110).

Of course, nothing in the above quotes makes any sense whatever, they clearly exposing overblown nationalistic egos falsely claiming to be 'Christian'. A little later I wish to consider how in the present era a potentially strong economy could, with all-round justice, mend its weaknesses while simultaneously supporting its own people, as well as helping to lead the world into sane self-sustaining ways. But first a brief outline of how and where corrupt economic practices have led in the past.

(b) Abused Economies as Corrupting Evil Through History

Comparing the effects of European society's economic corruption from the time of Adam Smith to the present, there do not appear to be any great 'qualitative' differences, but rather close similarities both as to motivation and, in the broadest sense, means. Thus, as Smith emphasized in his time, it was all about the intention of manufacturers' and merchants' 'exclusive companies' of Europe's states to gain unfair advantage over their competitors via monopolies, such made possible through their government's specific legislation or deliberate

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toleration. And that gave 'their' companies monopoly status enormous advantages both domestically and in foreign lands, examples being, the monopoly to all trade east of the Cape of Good Hope given in 1600 to Britain's East India Company by Queen Elizabeth 1 (SR, 365-68) and Queen Victoria's Charter to Cecil Rhodes' British South African Company in 1889.(AN, 187-191) Accordingly, as frequently happened, the end result was that their home government would back them militarily whenever their company was challenged by indigenous citizens or another external power. Hence the ongoing series of Colonial and other resource wars since well before the time of Adam Smith.

Of course, particular amplifying means or technologies could make extraordinary differences to such corruption's end results. For one has only to think of the vast tragedy of the Spanish incursions into the Americas with their Native American and subsequent African slave trades, involving hundreds of thousands of men women and children which, providing gold, silver and Caribbean planation crop products back to Europe, persisted for some 300 years. Or in the present era the crushing burdens, on the widest imaginable scale, especially on the poorer folks in the US and other societies, of the recent crash in values of the engineered unsustainably gross housing bubble.

Also, on the issue of sheer scale, imagine what the combination of technology and fossil energy-powered industry added to the destructive and thereby killing and maiming power of armaments over the past 300 years, a degree of amplification that knew few limits, such changing the face of war forever.(GD ; MG2 ; MG3 ; MG4 ; PK) Indeed it was a feature which took the leaders of Europe's Christian powers engaging in WWI (they anticipating early rapid success via spirited cavalry charges, etc.) by surprise, all original Christian combatant powers gravely damaged in every human and economic respect. Accordingly, today, with nuclear power added to the arsenals of so many nations, the potential for complete species extinction has no limits whatever, as George F. Kennan and many others have long since warned.

Yet, going back to the end of WW1, the long-tolerated corrupt thinking and practices that had led to that war's catastrophic destruction and suffering were not even then questioned, but tragically allowed to continue, thus setting in train the next major calamity WWII, a mere 20 years on. And, as we have seen, this attitude was all about ensuring that the 'special interests' of the inefficient, aggressive 'mercantile system' would proceed unchanged in the usual combative way, engaging in aggressive trading and colonialism which continued to put Europe's states at serious odds not only with colonized peoples but with one another. Not surprising therefore that the rising Dictators, Mussolini, Hitler and Tojo expected to do likewise, emulating those long-standing Western traditions as the way to grow their would-be Empires. And so also not surprising that many Western leaders, fearful (especially once the Great Depression hit) of the West's economic fragility and opposed to *any* drift to corrective fair trading along

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Smithian or other lines, would favour arming the anti-Soviet Hitler, trusting or at least hoping he would stand as 'their Ally' in any war aimed at destroying the communist virus at its supposed 'source'.

And all the while technologies relating to industrial output, arms production (army, navy, air forces) radio communications, detection, public relations, propaganda, etc., were making the final outcome of such a Second World War all the more overwhelmingly destructive, tragic and terrifying for vast populations exposed to what after all was totally unnecessary. For, again, as Churchill, referring to both World War II and WWI had put it to President Roosevelt in 1945, ….

"One day President Roosevelt told me that he was asking publicly for suggestions about what the war should be called. I said at once "the unnecessary war". There never was a war more easy to stop than that which has just wrecked what was left of the world from the previous struggle." (WC4i, - see Preface, p.xiv)

(c) Abused Economies as Corrupting Evil in the Present Era, 1945 -

As noted above, although great destructive wars have given rise to commitments aimed at insightful reform, such programs were soon side-stepped in favour of 'current imperatives'. And there WW2 was no exception, the fine promises of the Atlantic and United Nations Charters' undertakings to guarantee peoples' self-rule, economic justice and freedom from aggressive war being soon set aside as the nuclear-armed Cold War got under way. Now, although one of the principal aims of the Cold War was to contain, to limit the influence of the USSR in Europe and across the world, another was to extend the high level of the US's industrial activity reached during WW2 through an accelerated nuclear and conventional arms production and sales program which would be permanent. And that coupled to programs for the control of space, meant that the program's true economic costs were extraordinarily high, - and yet, given the otherwise unstable ailing economy, were considered justified.

Of course, at that early stage no one could ever have imagined the ultimate aggregate costs in real wealth, these compounding year by year. Especially so, since before long the United States was supporting France in its war to regain control of 'French Indo China' (Vietnam), an extremely expensive war which the US would later take over - this then coupled to another very expensive war in Korea (1950-1953). So, perhaps not surprisingly, President Eisenhower in 1961 warned of the fast-rising permanent 'Military Industrial Complex' which had the potential for undue influence on national policy, he then emphasizing the vital need for international stability, peace and disarmament. (PDE)

Moreover, the nuclear-armed Cold War had even more serious outcomes than the yearly (non-earning) 'investment' of multi-billions of dollars, because it ensured the maintenance of high tension between the US-led West and the USSR,

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continuation of their arms race, - and the ever-present knife-edge threat of deliberate or accidental nuclear holocaust. That is, what would in fact utterly destroy modern civilization and make existence for homo sapiens tenuous in the extreme, - precisely what would end all promises, all hopes proclaimed by the victors of WW2. Indeed, a fate which all but eventuated during the 1962 Cuban Missile Crisis (i.e., just one of many crises) averted only through the determination, extraordinary skill and nerve of President John Kennedy negotiating with Nikita Kruschev over US missiles on Turkey's Eastern border. But, like others, it was an extremely touch-and-go negotiation which, like Kennedy's inspired Commencement Address of June 10, 1962 at the American University concerning the supreme importance of a stable, sustainable peace between the US and the USSR, deserves to be ever venerated.(JFK ; GFK2 ; FC6 ; JSa2)

But, leaving aside the utter wastage of arms production and wars, the modern Western society's economies were lacking in other ways as well. Supposedly based on openly competitive 'free' markets, in reality they were in many ways contrived, being unfairly manipulated. For, like those of Smith's time they were top-heavy, dominated by powerful corporations, their lobbyists strongly influencing members of Congress to gain monopoly or oligopoly status and thus to by-pass the fair competition essential for the allegedly 'much-approved' level playing field. Thus, still today, such businesses gain unfair advantage (i.e., cheat). And, since this does not go unnoticed by the public, it sours the mood of business and business people more broadly, a mood which should be free to thrive in an atmosphere of honest trading, mutual trust and lasting friendships. Another dominant feature is the extreme emphasis on 'consumerism' (one might call it 'producer marketism') the unrestrained encouragement of buying more, consuming more, not to satisfy real nor even desperate needs, but rather to augment the producers' market returns.

A third feature, or rather consequence of such markets is their destructive effects on the natural environment. That is because, being markets primarily for the benefit of producers and controlled by producers, such producers accept no responsibility for environmental damage suffered in the course of production. Indeed, in economic jargon, all such damage is an 'externality', its losses due to the production process never counted as production costs, - such often very high costs (=losses) thus having to be born 'by society'. Hence, over the long term, this imposed 'convention' has resulted in truly extreme on-going degradations and great pollution of all our natural environments: the air we breathe, the oceans, the land, the water we drink, the plants and animals we farm, the food we eat, the forests, meadows and mountains. And a fourth outstanding feature of modern producer-dominated economies is the extraordinarily high rate at which they extract ('once only') finite resources from our natural environment – apparently without a qualm for their own or anyone else's future generations. Of course this applies to all manner of living and non-living things, including

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forests, native animals, fish and other sea life, minerals of all sorts, including rare earths, oil and natural gas.

Indeed, this last is in many ways an absolute 'stunner', not only for the world's peoples of today, but for *all* future generations. From a study of Daniel Yergin's *'The Prize: The Epic Quest for Oil, Money and Power'*, it is readily seen how it has come about, - and over such a short time. As Yergin informs us, no oil industry existed before August 1859 when 'Colonel' Drake struck oil at 75 feet drilling in northern Pennsylvania.(DY, 26) At that stage, mineral oil was seen as valuable for lighting, lubrication and heating. But before long it was revealed in greater quantities in many places across the world; and by the turn of the century, it was adapted as a fuel for the newly-developed 'internal combustion engine', - such as those used to power Henry Ford's T-model and farm vehicles.(DY)

Needless to say, all laudable uses, but the rates at which oil was extracted were to accelerate enormously over the years. Such high rates should have been recognized as a problem requiring serious planning because even in these early stages of extraction, it was known that since oil was derived from earlier life forms long buried deep underground, it must be a finite and thus altogether limited resource, its total reserves completely unknown. So, logically, unless great determination was made to limit its rates of extraction and use, while urgently developing alternatives to fossil-based fuels, lubricants, fertilizers, etc., then the time would soon come when future generations (our children or theirs) would be let down, their economies, their ways of life, thrown into 'reverse' chaos.

However, as Yergin reveals, from 1859, throughout the recent history of oil, no attempts even to plan such programs across the world were made by any oil industry or government authority. Indeed, this obvious obligation was side-stepped, its inevitable consequences ignored. Instead the world continued to engage in a totally uninhibited international trade race to extract and market oil at the greatest rates possible, apparently without any thought for future generations. Thus within 90 years of its initial discovery, its daily rate of extraction in 1948, - 8.7 million barrels, - had by 1972 risen to 42 million barrels, i.e., almost 5 times within a mere 24 years. And of course 24 years is but a fraction of *one* expected life-time.

And yet by 1950, the industry itself had estimated that at current extraction rates, proven reserves would last only 19 years. Further, by 1972 notwithstanding what Yergin termed *"the intoxicating increase in consumption and the pell-mell pace of production, the estimated reserve life was thirty-five years."* From any long-term viewpoint, not the least reassuring and certainly not for any in the following, let alone future generations. And yet no plans for long-term conservation or crash programs for the development of substitute oil sources came to the fore, but rather simply continuation of the above-quoted '*intoxicating*

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increase in consumption and the pell-mell pace of production', capped by on-going efforts to maximize its marketing and sales. All short-term thinking, reflecting the kind of mind-set that characterized the conduct of mercantile economies across the world, - i.e., no significant change since the time of Adam Smith. Indeed, such conduct reflected the long-established attitudes of the favoured few who believed that their right of birth or God's favour justified extreme differentials in rewards for work done, services rendered or for just 'being there', - sharing their presence and making all the 'important' self-serving decisions. Hence, rights to the advantages of monopolies, oligopolies, corporations etc. that, as long blessed in law, shielded their gains from the normal competition of fair trade.

Now, that kind of thinking may have gained widespread tolerance, even acceptance across the Empires of Old Europe and much of the West until the late 19th Century, yet for any truly aspiring Democracy such differentials were completely inappropriate since a level economic playing field is central not only to economic justice, but to democratic function. Indeed, without it Democracy fails, it being no longer sustainable, the term reduced to a sham. Moreover, just as crucially for all concerned, *in the longer* term neither is the economy, since obviously the trading system itself is at serious risk, because it runs into all the imbalances derived from 'lack of demand', all the unsustainabilities and eventual failures stemming from those differential privileges, the current Global Financial Crisis for example.(US_FCIC ; JaKG4 ;)

And as already referred to, while its earlier background included many decades of diminishing rewards to the middle and lower echelons of society who were thus unable to play their full market role as providers of effective demand, it then grew out of the financially-contrived housing bubble which beginning in 2000, progressively ballooned, rupturing in 2007/2008, such resulting not only in additional catastrophic drops in demand, but extremes of widespread societal damage. (US_FCIC ; JaKG4)

So, at this point I'll quote some excerpts from the *FCIC Final Report* to illustrate the frequently illegal corrupt nature of the housing bubble mortgage generation procedures, contracts and other 'arrangements', - plus further quotes to illustrate some of its most serious effects on society. (US_FCIC ; see also WB)

First, from **FCIC Final Report, Chapter 1, Part I,** to outline the now very severe costs to literally millions of families caught up in this over-the-top investors' gambling bubble, beginning with, -

"Before Our Very Eyes"

"Unlike so many other bubbles—tulip bulbs in Holland in the 1600s, South Sea stocks in the 1700s, Internet stocks in the late 1990s—this one involved not just another commodity but a building block of community and social life and a

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corner-stone of the economy: the family home. Homes are the foundation upon which many of our social, personal, governmental, and economic structures rest. Children usually go to schools linked to their home addresses; local governments decide how much money they can spend on roads, firehouses, and public safety based on how much property tax revenue they have; house prices are tied to consumer spending. Down-turns in the housing industry can cause ripple effects almost everywhere."(p.4)

"When the Federal Reserve cut interest rates early in the new century and mortgage rates fell, home refinancing surged, climbing from $460 billion in 2000 to $2.8 trillion in 2003,[illegible] *allowing people to withdraw equity built up over previous decades and to consume more, despite stagnant wages.*

"In fact, some of the largest institutions had taken on what would prove to be debilitating risks. Trillions of dollars had been wagered on the belief that housing prices would always rise and that borrowers would seldom default on mortgages, even as their debt grew. Shaky loans had been bundled into investment products in ways that seemed to give investors the best of both worlds—high-yield, risk-free—but instead, in many cases, would prove to be high-risk and yield-free. ….. The securitization machine began to guzzle these once-rare mortgage products with their strange-sounding names: Alt-A, subprime, I-O (interest-only), low-doc, no-doc, or ninja (no income, no job, no assets) loans; … ; liar loans;(p.6)

"…… But it soon became apparent that what had looked like newfound wealth was a mirage based on borrowed money. Overall mortgage indebtedness in the United States climbed from $5.3 trillion in 2001 to $10.5 trillion in 2007. The mortgage debt of American households rose almost as much in the six years from 2001 to 2007 as it had over the course of the country's more than 200-year history. …… With a simple flourish of a pen on paper, millions of Americans traded away decades of equity tucked away in their homes.

"Under the radar, the lending and the financial services industry had mutated. In the past, lenders had avoided making unsound loans because they would be stuck with them in their loan portfolios. But because of the growth of securitization, it wasn't even clear anymore who the lender was. The mortgages would be packaged, sliced, repackaged, insured, and sold as incomprehensibly complicated debt securities to an assortment of hungry investors. Now even the worst loans could find a buyer.(p.7)

"Nonprime lending surged to $730 billion in 2004 and then $1.0 trillion in 2005, ……..[illegible] *Many of those loans were funneled into the pipeline by mortgage brokers—the link between borrowers and the lenders who financed the mortgages—who prepared the paperwork for loans and earned fees from lenders for doing it. More than 200,000 new mortgage brokers began their jobs during the boom, and some were less than honorable in their dealings with borrowers."*(p.13)

The total value of mortgage-backed securities issued between 2001 and 2006 reached $13.4 trillion. There was a mountain of problematic securities, debt, and derivatives resting on real estate assets that were far less secure ……" By the end of 2007, most of the subprime lenders had failed or been acquired,…..

"Before the summer was over, Fannie Mae and Freddie Mac would be put into conservatorship. Then, in September, Lehman Brothers failed and the remaining investment banks, Merrill Lynch, Goldman Sachs, and Morgan Stanley, struggled as they lost the market's confidence. AIG, with its massive credit default swap portfolio and exposure to the subprime mortgage market, was rescued by the government. Finally, many commercial banks and thrifts, which had their own exposures to declining mortgage assets and their own exposures to short-term credit markets, teetered. IndyMac had already failed over the summer; in September, Washington Mutual became the largest bank failure in U.S. history. In October, Wachovia struck a deal to be acquired by Wells Fargo. Citigroup and Bank of America fought to stay afloat. Before it was over, taxpayers had committed trillions of dollars through more than two dozen extraordinary programs to stabilize the financial system and to prop up the nation's largest financial institutions.

"The crisis that befell the country in 2008 had been years in the making.

"The economic impact of the crisis has been devastating. And the human devastation is continuing. The officially reported unemployment rate hovered at almost 10% in November 2010, but the underemployment rate, which includes those who have given up looking for work and part-time workers who would prefer to be working full-time, was above 17%. And the share of unemployed workers who have been out of work for more than six months was just above 40%.

"The loans were as lethal as many had predicted, and it has been estimated that ultimately as many as 13 million households in the United States may lose their homes to foreclosure. ……. Nearly one-quarter of American mortgage borrowers owed more on their mortgages than their home was worth. In Nevada, the percentage was nearly 70%. Households have lost $13 trillion in wealth since 2006.

"As Mark Zandi, the chief economist of Moody's Economy.com, testified to the Commission, "The financial crisis has dealt a very serious blow to the U.S. economy. The immediate impact was the Great Recession: the longest, broadest and most severe downturn since the Great Depression of the 1930s. . . . The longer-term fallout from the economic crisis is also very substantial. . . . It will take years for employment to regain its pre-crisis level."

"Looking back on the years before the crisis, the economist Dean Baker said: "So much of this was absolute public knowledge in the sense that we knew the number of loans that were being issued with zero down. Now, do we suddenly think we have that many more people—who are capable of taking on a loan with zero down who we think are going to be able to pay that off—than was true 10, 15, 20 years ago? I mean, what's changed in the world? There were a lot of things that didn't require any investigation at all; these were totally available in the data." (Emphasis added)

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And here excerpts from Chapter 21, beginning p. 389 with:

"The Economic Fallout",

"Indeed, Main Street felt the tremors as the upheaval in the financial system ……. Seventeen trillion dollars in household wealth evaporated within 21 months, and reported unemployment hit 10.1% at its peak in October 2009.

As the housing bubble deflated, families that had counted on rising housing values for cash and retirement security became anchored to mortgages that exceeded the declining value of their homes.

Without jobs, people could no longer afford their house payments. Yet even if moving could improve their job prospects, they were stuck with houses they could not sell. Millions of families entered foreclosure and millions more fell behind on their mortgage payments. Others simply walked away from their devalued properties, returning the keys to the banks—….. (p.389)

….. The economy shed 3.6 million jobs in 2008—the largest annual plunge since record keeping began in 1940. By December 2009, the United States had lost another 4.7 million jobs.

The underemployment rate—the total of unemployed workers,…. those with part-time work ….., increased from 8.8% in December 2007 to 13.7 in December 2008, reaching 17.4 in October 2009. This was the highest level since calculations for that labor category were first made in 1994."(p.390)

In June 2009, the nation officially emerged out of the recession that had begun 18 months earlier. The good news still had not reached many of the 26.2 million Americans who were out of work, who could not find full-time work, ……

…..Of the $17 trillion lost from 2007 to the first quarter of 2009 in household net wealth—the difference between what households own and what they owe—about $5.6 trillion was due to declining house prices, with much of the remainder due to the declining value of financial assets. …..The painful drop in real estate and financial asset values followed a $6.8 trillion run-up in household debt from 2000 to 2007. Aided by the gains in home prices and, to a lesser degree, stock prices, households' net wealth had reached a peak of $66 trillion in the second quarter of 2007. The collapse of the housing and stock markets erased much of the gains from the run-up—while household debt remained near historic highs, exceeding even the levels of 2006. As of the third quarter of 2010, despite firmer stock and housing prices and a decline in household borrowing, household net worth totaled $54.9 trillion, 16.5% drop-off from its pinnacle just three years earlier ……

Households suffered the impact of the financial crisis not only in the job market but also in their net worth and their access to credit. Of the $17 trillion lost from 2007 to the first quarter of 2009 in household net wealth—the difference between what households own and what they owe—about $5.6 trillion was due to declining house….."

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"Overall, as spending increased and revenues declined during the recession, the federal deficit grew from $459 billion in 2008 to $1.4 trillion in 2009. And it is estimated to have risen to $1.6 trillion in 2010."(p.400)

"There was a fundamental change in our financial services sector that really is the reason we're in this crisis, ... and is the reason we're seeing and will see in total probably before we're done, between 15 and 16 million foreclosure filings in this country," (p.404)

As a final quote I include what may be a very important point from Peter J. Wallison's Dissenting Statement:-

"In March 2010, Edward Pinto, a resident fellow at the American Enterprise Institute (AEI) who had served as chief credit officer at Fannie Mae, provided to the Commission staff a 70-page, fully sourced memorandum on the number of subprime and other high risk mortgages in the financial system immediately before the financial crisis. In that memorandum, Pinto recorded that he had found over 25 million such mortgages (his later work showed that there were approximately 27 million).[2] Since there are about 55 million mortgages in the U.S., Pinto's research indicated that, as the financial crisis began, half of all U.S. mortgages were of inferior quality and liable to default when housing prices were no longer rising. In August, Pinto supplemented his initial research with a paper documenting the efforts of the Department of Housing and Urban Development (HUD), over two decades and through two administrations, to increase home ownership by reducing mortgage underwriting standards.[3]

This research raised important questions about the role of government housing policy in promoting the high risk mortgages that played such a key role in both the mortgage meltdown and the financial panic that followed. Any objective investigation of the causes of the financial crisis would have looked carefully at this research, exposed it to the members of the Commission, taken Pinto's testimony, and tested the accuracy of Pinto's research. But the Commission took none of these steps. Pinto's research was never made available to the other members of the FCIC, or even to the commissioners who were members of the subcommittee charged with considering the role of housing policy in the financial crisis." (US_FCIC, p.448)

Corruption, from the 2003 Iraq War to the Global Financial Crisis

The following, taken from Robert Schall's interview with James K. Galbraith illustrates the linkage of two aspects of today's societal corruption. I begin with Schall's question as to the GFC's possible connection to the 2003 US attack on Iraq, where he asks: *"How much of this crisis is related to what you call "the Economics of Empire" during the presidency of George W. Bush?"*

Galbraith: *"I think at the end of the day that's not the primary factor. There was reason, good reason, to be concerned at the start of the Iraq War, that the war would be vastly more costly than was predicted, that it would be a much more difficult war than was predicted, and that it would damage the strength of America's position in the world. All of that has certainly happened. But the war*

itself was not a strong enough fiscal stimulus to bring the economy out of the recession of 2000/2001, at least not in a decisive way, and it's partly for that reason that the Bush Administration 2004/2005 set about actively encouraging the use of these credit mechanisms in the housing market. Out of that, they got a higher level of economic activity than they otherwise would have had, they avoided a period of stagnation that otherwise would have been worse — was until the whole business collapsed completely in 2007/2008."

Then, on the broader issues of what had led to the Global Financial Crisis, James Galbraith included the following,

"….the principal cause of the crisis was the dismantling of the system of regulation and supervision in the financial sector which had for much of the post-war period kept the most dangerous elements of that sector in check. In the absence of an appropriate system of effective supervision and regulation, what happens is that the actors in the system, who are intent upon taking the greatest degree of risk — including actors who are intent upon using fraudulent methods to increase their returns — come to dominate parts of the system. As they do that, the general methods of assessing performance in the market, specifically stock-market valuations, become counter-productive. That is to say, they invariably reward the worst actors, while they force more traditional actors, who are still respecting the old norms of conduct, into a competitively disadvantaged position. Thus the bad actors, the fraudulent actors, and the speculative extremists quickly take over.

"That is what happened specifically in the origination of mortgages in the United States in the middle part of the last decade. You had a transition from a traditional method of issuing mortgages to people who could be reasonably expected to service them, to a method of originating mortgages that were sold off immediately, that were rated in a way that permitted them to be bundled and sold to fiduciaries, and where the issuer had no interest in whether the_borrowers could pay or not. In fact, in some ways the lenders actively preferred people who did not intend to pay, because they could then inflate the value of the loan and earn a larger fee upfront for doing it. And in this way, not only was there a large segment of the market that was explicitly corrupt, but the equity value of homes all across the country was compromised. When these practices collapsed, so too did the home values not only of people who had bad mortgages, but also those for many people who had good mortgages, good incomes and perfectly good credit.

"The result of that was a general slump in activity. The wealth and financial security of much of the American middle class disappeared. So far about a quarter of the measured wealth of the American middle class has disappeared – about $15 trillion of $60 trillion. That's bound to have a fantastically traumatic effect on people's consumption behaviour and on their ability to get new good credit. Even if they wish to continue to extend the past pattern of borrowing in

order to finance activity, they can't do it. So, this is a very big problem. It starts with a failure to supervise and regulate the financial system, and flows on to the reaction of the broader population, which is to protect their remaining assets, to become extremely adverse to taking ordinary business and consumer risks."
http://www.larsschall.com/2010/01/21/there-is-no-return-to-self-sustaining-growth/ (JaKG5)

Now, regardless of contributions of the 2003 Iraq war to the genesis of the GFC, since there is no doubt that the US Administration attempted to 'justify' its invasion on bogus allegations of Saddam's 'weapons of mass destruction' and 'threats' of his imminent attack on London, etc., it had no claim whatever to be a 'just' war. Indeed, it showed itself to be an illegal highly corrupt operation, totally unjustified and thus altogether evil. And all with truly terrible outcomes for the hundreds of thousands caught up in it, - just like so many others through human history. At the same time, as James Galbraith indicates, its very high financial costs (estimated by Stiglitz and Bilmes at over $3.5 trillion) may have played a contributing role in the lead up to the fatally-flawed speculative housing bubble.(JES&LB ; JaKG5)

In any event, that bubble represents another gigantic wave of corruption. And here it is important to note that the outcomes for different sectors of US society have been in stark contrast to one another. Thus, in the process of bubble creation and failure, while the major financial corporations (along with their shareholders) reaped the multi-billions, the poor to middling mortgage holders paid the price, just so many being dropped by the wayside. But even worse, once house prices leveled off as the bubble deflated, a flood of foreclosures supervened, with their grossly divergent outcomes. For, whereas, the great financial corporations (having been 'bailed out') became even more concentrated and much wealthier than ever before, a high proportion of mortgage-holder families were not only left indebted, but with impending foreclosure, homeless and, - house values having dropped below that of the loan, - unable to recover. This being common, vast numbers of families remain saddled with unemployment, vandalized vacant houses and in many areas, desperate poverty, – many in need of emergency food and shelter, as documented by Tracy McMillan in the National Geographic of August 2014. And all in extreme contrast to the augmented gains of the erring Wall Street finance giants.

And bear in mind, even before the onset of the housing bubble, the US had a long history of societal inequality right across the country. Thus, as we learn from Joseph Stiglitz's Project Syndicate paper of October 13, 2014, *The Age of Vulnerability*, two new studies make clear how excessively this inequality plagues the country still today. For, as revealed by the US Census Bureau's Annual Income and Poverty Report, in spite of the supposed recovery from the Great Recession, Median Household Income (adjusted for inflation) fell 40% from 2007 to 2013, indeed, remaining below what it was a quarter of a century earlier. So, while incomes at the top have soared, the majority have seen their

incomes stagnate. Moreover, this is reflected in a second study by the UN Development Program, where in its 2014 Human Development Report's *HD Index*, we learn that America ranks fifth, below Norway, Australia, Switzerland and the Netherlands. Also, there we see how Americans are especially vulnerable to illness in the family, the US health care systems, including health insurance (41 million Americans still uninsured) remaining well below 'world's best standards'.(JES2)

The above-noted disastrous military and societal outcomes are emphasized here because both exhibit extremes of corruption, namely, the unprovoked illegal military attack on a foreign country (contrary to the UN Charter) with its truly vast numbers of casualties; and then the government-assisted selective 'wealth creation' channeled to 'the top', a gross re-allocation of wealth abstracted from the already underprivileged lower down. And here one should note the striking similarity to the forms of Europe's corruption of the 18th century described by Adam Smith, and hence the very close resemblance of todays 'capitalism' to 'mercantilism', the grossly undemocratic, unjust, exploitative, warring, trading system roundly condemned by Smith.(AS_WN)

Indeed, overall, I believe it is fully evident that the economic system employed still to this day by the United States and most if not all Western nations can best be described as 'mercantile', that being used in the exact sense that Smith employed it in *Wealth of Nations* to describe the economic mind-set and behaviour of West Europe's business leaders in his day.

Bear in mind also that today's corruptions, arising out of that unjust system, have occurred in defiance of the 'Christianity' Western business leaders have loudly proclaimed since even long before the time of Adam Smith. For Smith, abhorring societal injustice, would have railed against both the gross unfairness of the financial excesses, gambling and larceny involved in the housing bubble as well as the unconscionable attack on the land and people of another's nation, just as Jesus of Nazareth would have condemned such corruptions. And you would not have to be a William Tyndale to appreciate that.

Accordingly, it should be widely understood that Smith was a very firm proponent of open 'free but fair' trade, both domestic and foreign, between all peoples of the world, and in no way an advocate of any kind of exclusivity or 'greed is good for business, - and thus for all', philosophy - as still falsely claimed. Indeed, it is solely the upper echelons of today's business world that remain stuck in the mercantile mind-set that Smith decried, those desperate to protect society's already overly-privileged sectors whose 'special privileges' threaten the economic, political and ecological security of all. Hence, it is high time that Smith's conception of a self-regulatory system of honest-exchange trade be provided with serious opportunities to prove itself, as Smith believed it eventually would.

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For let us recall the passage dealing with Europe's tragic failure to envisage the mutual benefits that would come from fair trading across the world, where he concludes, *"The discovery of America, and that of a passage to the East Indies by the Cape of Good Hope, are the two greatest and most important events recorded in the history of mankind. ……. What benefits or what misfortunes to mankind may hereafter result from those great events, no human wisdom can foresee. By uniting, in some measure, the most distant parts of the world, by enabling them to relieve one another's wants, to increase one another's enjoyments, and to encourage one another's industry, their general tendency would seem to be beneficial. To the natives however, both of the East and West Indies, all the commercial benefits which can have resulted from those events have been sunk and lost in the dreadful misfortunes which they have occasioned. .....At the particular time when these discoveries were made, the superiority of force happened to be so great on the side of the Europeans that they were enabled to commit with impunity every sort of injustice in those remote countries. Hereafter, perhaps, the natives of those countries may grow stronger, or those of Europe may grow weaker, and the inhabitants of all the different quarters of the world may arrive at that equality of courage and force which, by inspiring mutual fear, can alone overawe the injustice of independent nations into some sort of respect for the rights of one another. But nothing seems more likely to establish this equality of force than that mutual communication of knowledge and of all sorts of improvements which an extensive commerce from all countries to all countries naturally, or rather necessarily, carries along with it."* (AS_WN, IV.7.166)

Indeed, such a trial, to include the abolition of all forms of 'special privilege' monopolies, oligopolies, etc., - carefully-monitored with great attention to the justice and honesty standards attainable in all commodity and service exchange values, - could finally get us out of the hole we have dug ourselves into. For, bear in mind, since any 'Western' economy, focused as it is on the skewed privileges of 'favorites', (indeed, designed by those very people) to divert wealth to the 'top of the pile', inevitably undermines the production/demand balance, causing market instability and, as still seen today, periodic economic collapses with their dire effects on social cohesion and welfare. So, let us take Smith's views very seriously since the fate of human society, its very survival, will most likely hinge on the balance.

Prospects for Human Species Survival

Looking back at the extreme political, economic, military, moral, intellectual and religious corruption underlying so much of the decision-making in the generation of past Depressions and of both World Wars, it makes one reflect on how much time humankind may have left before, given the availability of nuclear weapons, some final catastrophic blunder leads to an extreme withering of our species, - or its complete extinction.(EOW) Yet, as President Kennedy in his wonderfully insightful 1963 speech remarked, the future is still up to us, for, as

ever, all options remain in human hands! (JFK)

Summing Up

As indicated above, in his own time Smith was very much concerned with the malign influence that aggressively competitive monopoly commerce was having on the world through its corrupted domestic and international trade, - despite its otherwise clear potential. For, as he observed *"....nations have been taught that their interest consisted in beggaring all their neighbours. Each nation has been made to look with an invidious eye upon the prosperity of all the nations with which it trades, and to consider their gain as its own loss. Commerce, which ought naturally to be, among nations, as among individuals, a bond of union and friendship, has become the most fertile source of discord and animosity. The capricious ambition of kings and ministers has not, during the present and the preceding century, been more fatal to the repose of Europe than the impertinent jealousy of merchants and manufacturers ...."* (AS_WN, IV.3 Part 1. 38)

Tragically, however, as still all too evident today, that same pattern of upper echelon commercial behaviour continues, repeated on and on through European and Western history, notwithstanding the generous gifts of nature, (energy sources included) and the human inventiveness that made possible the birth and expansion of modern industry. For, given those features in support of both domestic economies and a world-wide system of fair-trade exchange, a just economy could readily have satisfied the needs of all in a totally pacific manner, which of course is exactly what Smith so ardently sought, and as so many yearn for today.(e.g., AS_WN, IV.7.166)

However, that fails to describe the problem fully because the Western trading system has other features described by Smith (and with us still today) that stand in the way, the stumbling block of monopolies and oligopolies granted to (or wrested by) the powerful, - and the dire effects these continue to have on the character and temper of trade. For, to side-step the normal ('much-lauded') competition, inherently unfair monopolies always attain their own advantage, - both domestically and internationally, by disadvantaging all others in society. Further, as Smith repeatedly stressed, in the international economy they have been at the very core of international disharmony and war. For, from the outset Europe's government-sanctioned monopolies took the form of forced colonization and exploitation of overseas peoples and their resources, such injustices commonly leading to revolt and wars of punitive repression. Moreover, the 'favoured' Western monopolies, each backed by its national government and in aggressive competition over its supposed 'rights' to control the economies of overseas territories, repeatedly went to war with one another.

So, the core of the problem is monopoly, the ability and will of business to take unfair advantage over others, their rightful competitors, and the willingness of

governments to support such injustice. Indeed, in terms of its effects, injustice, poverty and war, its radiating evils are frequently of the greatest magnitude and horror. And because this evil stems from greed and the cheating of others, it represents corruption of the worst kind. Moreover, since ultimately such corruption threatens the lives of all, it is vitally important that it be arrested as soon as possible.

For, to repeat, we humans are on the brink, surrounded by many chasms, urgent crises related to our grossly-assaulted environments, resource depletion, over-population, distorted human relations, poisoned international relations, resource wars, quasi racial and religious wars, - and all essentially because our trade and finance relationships remain so deeply mired in these multifarious corruptions. Moreover, should our confused, less-than-sane inaction continue, any of these issues, (e.g., the Middle East mess, degraded environments, global warming, nuclear instability/cum madness) could get out of hand, beyond the point of no-return. Yet, in many financially-elevated quarters, despite the reality of these truly precarious situations, there appears a bland expectation that 'all will be well', a form of wishful thinking that amounts to abjectly standing by while over-viewing what in fact amounts to a race to nowhere.

Sadly, it takes one back to the insanity of the Cold War decades when, right or wrong, all sides were within a button press (whether intended, mistaken or sheer accident) of mutual human extinction, that is, to the final betrayal of all hopes and promises that came out of WW2, including the Atlantic and United Nations Charters. For example, their clear obligations to ensure the universality of human rights and all other forms of justice; the equal rights of men and women and of all nations large and small; to promote the economic and social advancement of all people; to respect the principle of self-determination for all peoples; and with a firm commitment that nations refrain from the use or threat of force against the territorial integrity or political independence of any other state; and above all that no state must ever use military force against another except in self defence as a last resort.(AC ; UNC)

And yet, in principle, the nature of the solution to the above-described corruption-driven crises is already well understood, both from the wisdom of Smith and that of a host of other wise folk, including many who are ready today with sound programs. (e.g., JSa1-5 ; JaKG1-5 ; JES1,2) To repeat, the key to overcoming such corruption through a re-configured honest trading system, is to ensure *everyone's* interests by protecting the 'common welfare'. For this feature is an absolute pre-condition not only for the sustainability of the economic trading system itself, but for the health of our natural environment, the peace of the world, the conservation of human and other species, – and thereby, as Joseph Stiglitz puts it, our own *"....ultimate well-being"*. (JES1, 52-82, 288, 397)

Ultimate Costs of Futile Wealth Creation, an Analogy,

Finally, the above suggests an interesting biological parallel which, since it relates to the seeming 'success' yet ultimate suicidal effects of 'thriving' malignant cells, could be enlightening. For, in malignancy a sub-population of affected tissue cells lose the shapes and positional arrangements characteristic of their original tissue patterns (skin, muscle, liver, kidney etc.). Moreover, those cells behave 'anti-socially', showing little if any ordered patterning as they multiply and move, actively invading adjacent and, metastasizing, more distant tissues. There, in disordered arrays, they thrive, freely taking up others' nutrients. Consequently, as the tumour mass increases, the victim's normal tissues steadily wither, shrink and fade away. (IB6)

And, here's the rub, for while the victim's normal tissue cells continue their usual functions (movement, digestion, breathing, thinking, etc) striving as best they can, the thriving tumour cells do absolutely nothing but imbibe good nutrients and put on weight. So as Adam Smith would appreciate, treating the problem as macroeconomics gone seriously awry, we too can recognize the inevitable end result. For, 'no one' wins, because the malignant cells' supposed 'triumph' of collecting all wealth unto themselves has so weakened the overall body system that it expires, the lives of all cells ('good' and 'bad') lost due to one cellular sub-population's (hoped-for) self-serving de-regulation which causes the loss, the extinction of all the body's cells.(IB1, Appendix D,4,5)

Broad conclusion: As a matter of urgency, re-educational cultural evolutionary pathways (including control of sex-derived genetic variant 'lemmings' blindly set on wealth concentration) must be employed to implement the kind of human fair-trading system long since advocated by Adam Smith, but to date denied by society's insightless powerful. For, such revision is a crucially important measure for the establishment of both domestic and international well-being and harmony; and hence of preserving the human and other species. Continued 'special privilege' groups and the intra-species deprivations and conflicts these generate are the over-arching challenge. Indeed, should these conflicts continue our species will not survive because for any species' to continue it must abstain from being at war across itself. Finally, a salutary thought. Throughout the evolution of the human species over some millions of years, cooperative behaviour, including the sharing of burdens and sustenance in a broadly equitable manner was an absolute condition of its survival up to the birth of agriculture. But now, after a further relatively brief 10,-12,000 years of attempting a very different *in*equitable societal way of life, we have arrived at a fork in the road where we must choose between mutual destruction with extinction, vs. a return to that broad societal equity and harmony, - yet now one that could be greatly facilitated through recognized support systems for human as well as all other plant and animal species populations, in an effectively preserved natural environment. (EOW; TB)

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Dedication: To Allan Edward Buckley and the billions of life-denied and other victims of human folly through history caused by auto-generated 'special privileges' of particular individuals and groups maintaining 'exclusive rights of land ownership', unjust trading practices and exploitative wars (including those with one another) which have brought humankind's civilizations and the world of Nature close to collapse. And, equally to to those who will work to abolish such counter-productive privilege before it becomes too late to provide future generations with what we have left.

"Fidelis Usque ad Mortem" (IB1, Appendix M)

Addendum 1.

James K Galbraith's **full Statement** to the Subcommittee on Crime, Senate Judiciary Committee, May 4, 2010, which deals with fraud at the root of the financial crisis.

The complete text, as follows:

"Statement by James K. Galbraith, Lloyd M. Bentsen, jr. Chair in Government/Business Relations, Lyndon B. Johnson School of Public Affairs, The University of Texas at Austin, before the Subcommittee on Crime, Senate Judiciary Committee, May 4, 2010.

"Chairman Specter, Ranking Member Graham, Members of the Subcommittee, as a former member of the congressional staff it is a pleasure to submit this statement for your record.

I write to you from a disgraced profession. Economic theory, as widely taught since the 1980s, failed miserably to understand the forces behind the financial crisis. Concepts including "rational expectations," "market discipline," and the "efficient markets hypothesis" led economists to argue that speculation would stabilize prices, that sellers would act to protect their reputations, that caveat emptor could be relied on, and that widespread fraud therefore could not occur. Not all economists believed this – but most did.

Thus the study of financial fraud received little attention. Practically no research institutes exist; collaboration between economists and criminologists is rare; in the leading departments there are few specialists and very few students.

Economists have soft-pedaled the role of fraud in every crisis they examined, including the Savings & Loan debacle, the Russian transition, the Asian meltdown and the dot.com bubble. They continue to do so now. At a conference sponsored by the Levy Economics Institute in New York on April 17, the closest a former Under Secretary of the Treasury, Peter Fisher, got to this question was to use the word "naughtiness." This was on the day that the SEC charged Goldman Sachs with fraud.

There are exceptions. A famous 1993 article entitled "Looting: Bankruptcy for Profit," by George Akerlof and Paul Romer, drew exceptionally on the experience of regulators who understood fraud. The criminologist-economist William K. Black of the University of Missouri-Kansas City is our leading systematic analyst of the relationship between financial crime and financial crisis. Black points out that accounting fraud is a sure thing when you can control the institution engaging in it: "the best way to rob a bank is to own one." The experience of the Savings and Loan crisis was of businesses taken over for the explicit purpose of stripping them, of bleeding them dry. This was established in court: there were over one thousand felony convictions in the wake of that debacle. Other useful chronicles of modern financial fraud include James Stewart's Den of Thieves on the Boesky-Milken era and Kurt Eichenwald's Conspiracy of Fools, on the Enron scandal. Yet a large gap between this history and formal analysis remains.

Formal analysis tells us that control frauds follow certain patterns. They grow rapidly, reporting high profitability, certified by top accounting firms. They pay exceedingly well. At the same time, they radically lower standards, building new businesses in markets previously considered too risky for honest business. In the financial sector, this takes the form of relaxed – no, gutted – underwriting, combined with the capacity to pass the bad penny to the greater fool. In California in the 1980s, Charles Keating realized that an S&L charter was a "license to steal." In the 2000s, sub-prime mortgage origination was much the same thing. Given a license to steal, thieves get busy. And because their performance seems so good, they quickly come to dominate their markets; the bad players driving out the good.

The complexity of the mortgage finance sector before the crisis highlights another characteristic marker of fraud. In the system that developed, the original mortgage documents lay buried – where they remain – in the records of the loan originators, many of them since defunct or taken over. Those records, if examined, would reveal the extent of missing documentation, of abusive practices, and of fraud. So far, we have only very limited evidence on this, notably a 2007 Fitch Ratings study of a very small sample of highly-rated RMBS, which found "fraud, abuse or missing documentation in virtually every file." An efforts a year ago by Representative Doggett to persuade Secretary Geithner to examine and report thoroughly on the extent of fraud in the underlying mortgage

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records received an epic run-around.

When sub-prime mortgages were bundled and securitized, the ratings agencies failed to examine the underlying loan quality. Instead they substituted statistical models, in order to generate ratings that would make the resulting RMBS acceptable to investors. When one assumes that prices will always rise, it follows that a loan secured by the asset can always be refinanced; therefore the actual condition of the borrower does not matter. That projection is, of course, only as good as the underlying assumption, but in this perversely-designed marketplace those who paid for ratings had no reason to care about the quality of assumptions. Meanwhile, mortgage originators now had a formula for extending loans to the worst borrowers they could find, secure that in this reverse Lake Wobegon no child would be deemed below average even though they all were. Credit quality collapsed because the system was designed for it to collapse.

A third element in the toxic brew was a simulacrum of "insurance," provided by the market in credit default swaps. These are doomsday instruments in a precise sense: they generate cash- flow for the issuer until the credit event occurs. If the event is large enough, the issuer then fails, at which point the government faces blackmail: it must either step in or the system will collapse. CDS spread the consequences of a housing-price downturn through the entire financial sector, across the globe. They also provided the means to short the market in residential mortgage-backed securities, so that the largest players could turn tail and bet against the instruments they had previously been selling, just before the house of cards crashed.

Latter-day financial economics is blind to all of this. It necessarily treats stocks, bonds, options, derivatives and so forth as securities whose properties can be accepted largely at face value, and quantified in terms of return and risk. That quantification permits the calculation of price, using standard formulae. But everything in the formulae depends on the instruments being as they are represented to be. For if they are not, then what formula could possibly apply?

An older strand of institutional economics understood that a security is a contract in law. It can only be as good as the legal system that stands behind it. Some fraud is inevitable, but in a functioning system it must be rare. It must be considered – and rightly – a minor problem. If fraud – or even the perception of fraud – comes to dominate the system, then there is no foundation for a market in the securities. They become trash. And more deeply, so do the institutions responsible for creating, rating and selling them. Including, so long as it fails to respond with appropriate force, the legal system itself.

Control frauds always fail in the end. But the failure of the firm does not mean the fraud fails: the perpetrators often walk away rich. At some point, this requires subverting, suborning or defeating the law. This is where crime and

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politics intersect. At its heart, therefore, the financial crisis was a breakdown in the rule of law in America.

Ask yourselves: is it possible for mortgage originators, ratings agencies, underwriters, insurers and supervising agencies NOT to have known that the system of housing finance had become infested with fraud? Every statistical indicator of fraudulent practice – growth and profitability – suggests otherwise. Every examination of the record so far suggests otherwise. The very language in use: "liars' loans," "ninja loans," "neutron loans," and "toxic waste," tells you that people knew. I have also heard the expression, "IBG,YBG;" the meaning of that bit of code was: "I'll be gone, you'll be gone."

If doubt remains, investigation into the internal communications of the firms and agencies in question can clear it up. Emails are revealing. The government already possesses critical documentary trails -- those of AIG, Fannie Mae and Freddie Mac, the Treasury Department and the Federal Reserve. Those documents should be investigated, in full, by competent authority and also released, as appropriate, to the public. For instance, did AIG knowingly issue CDS against instruments that Goldman had designed on behalf of Mr. John Paulson to fail? If so, why? Or again: Did Fannie Mae and Freddie Mac appreciate the poor quality of the RMBS they were acquiring? Did they do so under pressure from Mr. Henry Paulson? If so, did Secretary Paulson know? And if he did, why did he act as he did? In a recent paper, Thomas Ferguson and Robert Johnson argue that the "Paulson Put" was intended to delay an inevitable crisis past the election. Does the internal record support this view?

Let us suppose that the investigation that you are about to begin confirms the existence of pervasive fraud, involving millions of mortgages, thousands of appraisers, underwriters, analysts, and the executives of the companies in which they worked, as well as public officials who assisted by turning a Nelson's Eye. What is the appropriate response?

Some appear to believe that "confidence in the banks" can be rebuilt by a new round of good economic news, by rising stock prices, by the reassurances of high officials – and by not looking too closely at the underlying evidence of fraud, abuse, deception and deceit. As you pursue your investigations, you will undermine, and I believe you may destroy, that illusion.

But you have to act. The true alternative is a failure extending over time from the economic to the political system. Just as too few predicted the financial crisis, it may be that too few are today speaking frankly about where a failure to deal with the aftermath may lead.

In this situation, let me suggest, the country faces an existential threat. Either the legal system must do its work. Or the market system cannot be restored. There must be a thorough, transparent, effective, radical cleaning of the financial

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sector and also of those public officials who failed the public trust. The financiers must be made to feel, in their bones, the power of the law. And the public, which lives by the law, must see very clearly and unambiguously that this is the case. Thank you." (JaKG4)

Addendum 2. The Atlantic Charter

Atlantic Charter

AUGUST 14, 1941

The President of the United States of America and the Prime Minister, Mr. Churchill, representing His Majesty's Government in the United Kingdom, being met together, deem it right to make known certain common principles in the national policies of their respective countries on which they base their hopes for a better future for the world.

First, their countries seek no aggrandizement, territorial or other;

Second, they desire to see no territorial changes that do not accord with the freely expressed wishes of the peoples concerned;

Third, they respect the right of all peoples to choose the form of government under which they will live; and they wish to see sovereign rights and self government restored to those who have been forcibly deprived of them;

Fourth, they will endeavor, with due respect for their existing obligations, to further the enjoyment by all States, great or small, victor or vanquished, of access, on equal terms, to the trade and to the raw materials of the world which are needed for their economic prosperity;

Fifth, they desire to bring about the fullest collaboration between all nations in the economic field with the object of securing, for all, improved labor standards, economic advancement and social security;

Sixth, after the final destruction of the Nazi tyranny, they hope to see established a peace which will afford to all nations the means of dwelling in safety within their own boundaries, and which will afford assurance that all the men in all lands may live out their lives in freedom from fear and want;

Seventh, such a peace should enable all men to traverse the high seas and oceans without hindrance;

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Eighth, they believe that all of the nations of the world, for realistic as well as spiritual reasons must come to the abandonment of the use of force. Since no future peace can be maintained if land, sea or air armaments continue to be employed by nations which threaten, or may threaten, aggression outside of their frontiers, they believe, pending the establishment of a wider and permanent system of general security, that the disarmament of such nations is essential. They will likewise aid and encourage all other practicable measure which will lighten for peace-loving peoples the crushing burden of armaments.

Franklin D. Roosevelt

Winston S. Churchill

http://avalon.law.yale.edu/wwii/atlantic.asp (FDR&WSC)

Addendum 3.
Adam Smith in *Wealth of Nations* on 'The Invisible Hand'

B.IV, Ch.2, Of Restraints upon the Importation from Foreign Countries
IV.2, 9

"But the annual revenue of every society is always precisely equal to the exchangeable value of the whole annual produce of its industry, or rather is precisely the same thing with that exchangeable value. As every individual, therefore, endeavours as much as he can both to employ his capital in the support of domestic industry, and so to direct that industry that its produce may be of the greatest value; every individual necessarily labours to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good. It is an affectation, indeed, not very common among merchants, and very few words need be employed in dissuading them from it."

Smith, Adam. An *Inquiry into the Nature and Causes of the Wealth of Nations* http://www.econlib.org/library/Smith/smWN.html (AS_WN,IV.2.9)

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