

# THE NEW TIMES

## What Does Labor Really Want?

Had you, before 1929, asked any ordinary man who normally votes Labor what was his objective, he would probably have said: "Shorter hours and higher wages." By this he would mean to say that he wanted more leisure and more goods. And undeniably that was, and is the practical aim — as apart from some rather shadowy ideals — of the Labor party. But what a pity they don't say so plainly!

Until a few years ago, when people began to realise dimly that the movement was failing, the first of these aims was fairly well crystallised in those great Eight Hours' Day processions, which were so not-able an annual feature in Melbourne and other cities. Pride of place, you remember, was given to the lorry with the three great Eights — eight hours' labour, eight hours' recreation and eight hours' rest. And, eager though they might be to see the fat brewery horses and to scramble for Sir Macpherson's (or, in those days, Mr. Macpherson's) milk kisses, how enthusiastically the crowds cheered their three eights! Poor, deluded crowds! They were never within coo-ee of their three eights. And why? Because they looked all the time at the wrong numeral.

Their objective was leisure, but they looked at labour. And so, when it was finally agreed that the hours of labour were to be eight, they believed they had won. But where were their eight hours' recreation? If paying a not inconsiderable portion of your day's wage to the tram or railway service for the pleasure of straphanging in a hopelessly overcrowded conveyance is leisure—well and good. And if not seeing your own abode, except at the weekend, from sunrise to after sunset for the next month or two provides eight hours of leisure — well and good, also. But it is a new notion of leisure. It reads more like a ten or eleven hour working day.

Still, the workers never couched their appeal in the form of a request for eight hours of daily leisure. They asked for work, and they got it—eight solid hours at the bench or with the tools, and probably all the rest of their day between a hasty breakfast and six p.m. in getting to and from their job.

### FROM 48 HOURS TO 47.

The question of hours, however, nowadays rarely comes into the picture. In 1933 the average weekly hours for industrial groups through the Commonwealth were 45½, being lowest in Queensland and New South Wales, with their 44-hour week, and highest in Victoria and South Australia, where the average was almost 47. Compared with the old 48-hour standard of 1907, this shows an infinitesimal gain, while in many industries and in most of the States there is no gain at all.

But the hours or leisure question does not crop up much just now for the very simple reason that the worker is in terror lest he may any day find himself in complete leisure, in destitute unemployment.

### TODAY BUYS LESS THAN 1907.

If you come to consider the second aim, more goods or purchasing power, you will find that Labor—even its very name is unfortunate and misleading — has made the same mistake. What are our

unions everlastingly approaching the courts for? Higher wages. And when (or if) they get them, they fondly imagine their buying power will be increased.

But it is not, in fact, increased at all. Certain momentary increases there may be in certain trades — generally at the expense of other trades — but, higher wages meaning higher production costs, prices rapidly overtake and frustrate any rise in wages. As a matter of hard experience, everyone knows that an increase in wages does not as a rule give the worker even a transient gain, since most such rises are granted only to overtake the leeway caused by an already imposed price increase.

This is readily seen by comparing the conditions of 1907, when the Harvester award set the first basic wage, with those of today. Twenty-eight years have elapsed, and in those years industry has made a most extraordinary advance, many times a greater advance than in any previous whole century known in history. That advance has been caused mainly by power production, by the use of labour-saving electricity. The production of goods today can be vastly multiplied; it can take place in a fraction of the time and with a fraction of the labour required in the beginning of this century.

But what has the worker gained? In 1907 the basic wage was fixed at £2/2/-. Today the nominal or money wage is almost exactly 50 per cent, higher. But the point is, what will that wage buy? The last Commonwealth Official Year Book, issued a week or two ago, indicates that food, groceries and housing which in 1907 would have cost an average of 10/5d in the six Australian capital cities had by 1934 risen to 15/10d.—an increase slightly above 50 per cent. So the higher nominal wage has gained the worker absolutely nothing at all.

On the contrary, the worker's standard of living has gone back-

wards, for many other features that pull him down have come into the picture. There is greatly increased taxation on his earnings — for instance, the unemployment tax. There is unemployment itself.

The Year Book in its calculations rarely errs on the side of the man on the basic wage. Everyone knows that the price averages on which the wage is computed are not average prices at all. They are far nearer to the lowest prices at which inferior quality goods may be obtained in the cheapest suburbs. Take the question of rent. The Harvester award provided 7/- a week rent for "a family of about five." On today's basis of a 50 per cent rise in the money wage it should be possible, if even the 1907 standard is to be preserved, for the average married worker with three children to get a decent cottage in our capital cities for about 10/6d. Where will he get it?

However, even accepting such figures at their face value, the Year Book, in comparing real wages and allowing for unemployment, shows that if the index number for 1907 be taken as 986, the figure for 1933 (the last available) is down to 926.

*This means that the standard of living of the unskilled worker in Australia is officially admitted to have fallen 6 per cent since 1907. In reality, it has probably fallen more than twice as much.*

This is indeed a mournful picture, but it is the true reflection of the condition to which Labor has been reduced in a generation of unexampled progress. The full-time worker has gained an hour or so of leisure a week, but this has been accompanied by far more than a corresponding setback in his standard of living. And if the Labor voter thinks that any such empty ceremonial as the Victorian parliamentary inquiry into a shorter working week is going to improve his condition he deludes

himself utterly and invites all that is coming to him.

### ASK FOR WHAT YOU WANT.

The question naturally arising is, if this be so, what can the Labor voter do about it?

The first thing he has to do is to get his ideas in order. Let him ask straight out for what he wants. It may be all right for the child coyly to let the visitor know that his birthday was fifty-one weeks ago, but the worker will need to have a far more outright way of speaking if he wants his birthday present.

In the first place, instead of demanding work and wages, let his claims be for reasonable leisure and sufficient purchasing power for all. If these were made the first two aims, the others would naturally fall into their correct places in the scheme of things.

*Establish for a start the right to reasonable freedom and to security for all, then pass whatever legislation you like to ensure that these will be preserved by the necessary amount of national housekeeping being done.*

As it is at present, we are merely mistaking the means for the end.

As was indicated on this page last week, Labor's present demand of work for all the unemployed is simply putting a drag on the wheel. It is not work as work that is being sought, but work as a means to income. But as a result of concentrating on the work theme we have not only delays, but all sorts of arguments cropping up. Country towns want sewerage while Labor politicians are declaring for the Yarra Boulevard. And you cannot blame either. The former have obviously the better abstract case, but the Melbourne unemployed naturally are averse to going long distances from their homes while their wives and children are left without the security of a sufficient income.

So here again we see that the foundation of the argument over work is really money.

But discard public or any other sort of works, and assume that no more work were done in the community than is being done at the moment. Are there not enough goods being produced to make us all reasonably comfortable, if only the producers could somehow pass them on, without financial loss, to the would-be consumers?

### DISTRIBUTION BY TICKETS

Turning to the financial side of it, forget money, the Loan Council and the banks for just a moment. Imagine this country to have no money at all. During the war, when the German submarines threatened Britain with a food scarcity, she imposed, on top of her money system, another ticket or coupon system to make sure that everyone got a ration of necessities. Those coupons were issued to the entire population, and a ticket, as well as money, had to be handed over for the purchase of every item that appeared on the list of controlled commodities. By this means everyone who had money got a fair share.

But, if there had been no money, could not everyone still have had a fair share? The tickets were issued to correspond with the commodities available in the market.

*As long as the total amount of tickets corresponds with the total amount of goods available — which is easily ascertainable from the statistics of production — what is to stop our or any other Government from making use of such a system to abolish destitution and to clear off the market the goods which at present cannot be sold?*

Wages could be paid in such tickets, which would likewise — as long as commodities were available, as they are today — be issued to the unemployed. As sales of goods took place the receivers of the tickets, retail tradesmen and such could pass them along to pay manufacturers, who in turn would use them to pay producers. There would be no trouble at the consumption end, and at the production end a clearing house could be arranged where bread tickets or meat tickets might be exchanged for other tickets which could be used to start the producer again or a new series of production. You will say that such a system with all its different sorts of tickets, would be unduly cumbersome and would add immensely to trade bookkeeping. Of course it would.

*And that is precisely why we use money, which is neither more nor less than a simple method of making tickets for bread, meat, clothing and other things interchangeable and universal, and which is therefore far superior to any other ticket system.*

### RESULT OF IDENTIFYING MONEY AS A TICKET SYSTEM

But — and this is the point — with classified tickets two things would immediately be clear.

The first is that there would be a constant check on the ticket supply as against the goods supply and consumers' tickets would al-

(Continued on page 3.)

### THE HON. A. A. DUNSTAN, M.L.A.,

Premier of Victoria

Dear Mr. Dunstan,

*There are very few people in Victoria who have not followed with sympathy your gallant fight in the Star Chamber at Canberra. There was, from the start, apart from the technique of the financial agreement, little hope that you would effect much in competition with New South Wales. For Mr. Lang, in spite of the childish prattle of our financier-controlled press, is still the person whom our masters most fear in Australian politics, and so, no matter what the cost, no stone will be left unturned to show New South Wales that U.A.P. means prosperity.*

*However, you had your measure of victory. But what was the victory, Mr. Dunstan? For what were you fighting, except to increase our debt and our interest bill to the bankers? What a world we live in, that you should be hailed as a hero for bringing us home an extra million of debt beyond what the bankers had prepared for us.*

*Have you ever thought about this question of debt? Figures recently published estimated the world's debts (all bearing interest) as follows: —*

A.D.	£
1500.....	80 millions
1600.....	200 millions
1700.....	300 millions
1800.....	1,600 millions
1900.....	80,000 millions
1929.....	140,000 millions

*Compared with these figures, an extra million or two for us may seem neither here nor there. But where is it all going to end? Every extra million of loans means that the bankers, even at present low rates of interest, demand a toll from us of about £35,000 a year forever. That toll must be raised from extra taxation, from the blood and sweat of a crucified people.*

*And it is all so futile, all so unnecessary. The money which has proceeded from past loans has all been withdrawn, all been cancelled. Only the debts—and the interest—remain. Does not this suggest to you that there is a chronic shortage of money in the community, and that it should be the prerogative, not of the bankers, but of the nation, to issue sufficient money to enable its own goods to be sold? Does it not suggest to you that this loan business is the greatest ramp in history?*

—THE NEW TIMES.

# "THE OLD LADY UNVEILED"

By JOHN T. LAWTON.

Every religion has its centre of worship. The religion of the god Mammon is no exception. From its sacred shrine those commandments are issued which keep the world in subjection to its policy of power. That shrine is, perforce, shrouded in mystery, and is therefore accorded by the public a superstitious reverence - that finds a parallel only in fetishism. One would hardly expect to find such a shrine at this stage of human development in the world's commercial capital, but there it stands, with all its dominance and subtlety, in Threadneedle-street. The generous appreciation of an enlightened world will surely be accorded to that modern Jehu, Mr. J. R. Jarvie, who, with great daring and consummate skill, has told the story, under the title, "The Old Lady Unveiled," of that altar of Baal, officially designated the Bank of England.

His object is "to awaken the public to the truth that the Bank of England, commonly believed to be the most disinterested and patriotic of the nation's institutions, has been since its foundation during the reign of William of Orange, a private and long sustained effort in lucrative mumbo jumbo, and that it is in these days, under international control, serving foreign nations better on occasion than it serves England."

This super-government, for such it is, has all the advantages and power of a State institution, without corresponding responsibility. It is a purely private concern, having no nominal representation of either Government or Treasury on its Board.

"It has a monopoly of the note issue, except for the exercise of this privilege, to a very limited extent, by a few Scots banks, and while it must nowadays credit the Treasury with the profits of the Issue Department, it is paid for the expense of management, and for the control and utilisation of the gold reserves.

"It is the official agent for the Government in all other financial matters, floating its loans, generally on commission, though sometimes for a lump sum, paying the interests as they fall due, and acting as managing director of the National Debt. The Bank also acts officially, though not under official direction, in fixing the weekly Bank Rate, thereby determining all other rates of interest in home banking and financial transactions and profoundly affecting the world's lending and borrowing. As the Central Bank - a term preferred by Mr. Montagu Norman, who hates the word 'National' to describe Europe and the world's official banking bodies-it is the bankers' bank."

### THE BANK'S SECRECY

An institution which wields such extensive influence and has such mighty powers, should, in the nature of the case, be open to the closest scrutiny and most thorough examination, yet it never seems to have published any report, or even to have preserved its own minutes and accounts. We have mainly to rely for any official knowledge of its operations on the occasional returns extracted by Parliamentary Committees, and on the weekly returns under the Act of 1844, which competent judges have declared to be the most valuable result secured by that Act. And the returns under the Act of 1844 are very inadequate. Neither source gives the mass of valuable information contained in the annual reports of the Banks of France and Germany, and indeed of most of the foreign banks. Hence there are many questions of bank policy, which can only be studied upon such basis as is afforded by hearsay, and the articles and occasional utterances of individuals.

### INTERNATIONAL CHARACTER.

The real character and policy of the bank may be inferred from the personnel of the directorate. The Board consists of 26 directors, including the Governor. Of these nine are associated with Anglo-foreign merchant banks, and six with important foreign or international concerns. Of the other eleven, one is a permanent official, two are professional economist organisers, and only eight are partners in industrial companies which are British, more or less.

Concentration of power and control has been the accepted policy vigorously pursued, especially during the last hundred years. Amalgamations and extinctions account for the disappearance of some 200 private banks, while the 72 joint stock banks have all been gathered up under the aegis of the "Big Five." International private banks, however, continue to flourish and find a most useful fulcrum in the Central Bank of England. The pursuit of the policy of gain where returns are greatest has reacted seriously on the well-being of the people of England. "Nationally this excessive foreign lending means that money available for industrial developments at home is restricted. It has meant also in the past that Britain has looked for success in the foreign markets and has "paid insufficient attention to consumption at home, while we have also failed to realise that as foreign countries developed they would themselves become industrialised and stop buying from us."

### BANK'S AGREEMENT WITH GOVERNMENT.

In light of subsequent develop-

ments the arrangement entered into by the Government with the Bank at its inception is most illuminating. "The arrangement was that the capital of the new concern, which was to be called 'The Governor and Company of the Bank of England' should be £1,200,000, and that the whole of the capital should be lent to the Government. Interest was to be at the rate of 8 per cent, plus a fee of £4000 for expenses of management. **There was therefore no obligation on the Bank to keep any gold reserve or other tangible security against the note issue.** This is significant. It means not only that the Bank got the capital back on which it could continue to draw interest from the King, but that the economists and business men of the time considered that the word of a group of honourable and trusted merchants was good enough security for a paper currency. The merchants, of course, did very well out of the deal. It was money to the tune of £100,000 a year for nothing. But that was the reward of virtue in the City of London."

There was nothing wrong in principle with the issue, nor the subsequent issue of 1708. "What was all wrong, and is to this day, was that the profits of the note issue should have gone into private pockets instead of into the exchequer, as they would have done had the Bank of England been a national institution from the beginning. Admittedly the founding of a National Bank was impossible to William of Orange in 1694, when the stability of the Hanoverian dynasty was not yet achieved, without the assistance of 'the City.' And if the long-headed merchants took care that the only national aspect of the new institution would be in its charter, the profits remaining to themselves, there is no use blaming them at this distance of time. But it was one of Britain's greatest misfortunes that the millstone which William tied round its neck in 1694 should have been so heavy that it was never, in succeeding generations, able to resist the steady additions to its weight."

### THE GOLD RESERVE

**For there was certainly added to it the weight of gold.**

That happened in 1833. A gold reserve must henceforth be kept. The Bank would have been wrecked on four occasions, not to mention 1914, had not the gold clause been suspended under crisis and government assistance given. But there was a reason for allegiance to gold. "The Bank of England holds £160,000,000 of gold. If gold were abandoned as a world standard, the Bank of England would lose a very large sum of money, possibly £120,000,000. No wonder Mr. Montagu Norman is so fanatical an apostle of the Gospel of Gold. A departure from gold, he preaches, even on the part of one country such as our own, is a kind of sin against the Holy Ghost. It is a treacherous blow at the stability of the currency, and through that, at the very foundations of the nation and the Empire."

And now let us hear the conclusion of the whole matter.

"By entrenching itself in the international confederacy of gold, 'the Bank of England is the better enabled to maintain its traditional role of withstanding the crises which overtake the financial community from time to time, and of emerging from them more powerful and wealthier than ever."

So, at least, it has calculated, and intelligently according to its view. But somehow things are not just working out according to plan. The gold god has crushed so much in these later years that there may be nothing left even for the men who fashioned it.

"The Old Lady Unveiled" is a significant book, but then these are significant days, and significant things are happening.

# "STRAWS IN UNCLE SAM'S HAIR"

(By G. W. L. DAY, in *Social Credit*, April 19.)

When an elderly gentleman begins distributing largesse at the street corners and throwing his possessions out of the window, his relations usually feel it is time to send for a mental specialist. Certain kinds of dementia take the form of discarding the material necessities of existence, and judged by these symptoms there are good grounds for believing that the civilised world is on the high road to Bedlam.

Take, for instance, Uncle Sam. America is at present 98 per cent self-supporting, and nobody can doubt that if the rest of the world suddenly disappeared under the waves, like the fabled Atlantis, he would become 100 per cent so in record time. Nevertheless, the dead hand of Finance has bulldozed him into imagining the exact opposite, and at the present moment he is insanely trying to coax or coerce his farmers into producing less food so as to raise price-levels and enable him to "pay his way."

He now has an imposing piece of machinery called the Agricultural Adjustment Administration, which is supposed to organise this sabotage on a voluntary basis, while for the black-legs there are the Bank-head and Kerr Acts, which gives each grower a quota and fine him heavily if he tries to market more than his authorised amount. Each contract specifies the amount of land he may plant with wheat, corn, tobacco, or cotton, as the case may be, or the number of pigs he may market. Over 3,000,000 of America's 6,000,000 farmers signed contracts last year.

A correspondent describes what happens in the office of a county extension agent who acts as liaison officer between the State College of Agriculture and the farmer. A group of farmers representing the corn-and-hog raisers have come here to see what the clever planners in Washington wish them to do.

Things are not too easy. Mr. Wallace, the Secretary of Agriculture, has just told them they must cut corn and hog production by another ten per cent. The year before they had to cut corn by twenty per cent and hogs by twenty-five per cent. Now, they have to check up all the corn they *could* have raised and all they hogs they did *not* produce.

All very depressing, you would think, considering there are still about 20,000,000 Americans on relief. But as far as the farmers

### PLENTY OF FINANCIERS—NOT ENOUGH WORKERS!

**Rabbi Levi visited Palestine and found probably the only country in the world today with a shortage of labour and abundance of finance—The "Sun," June 4.**

are concerned there is a silver lining to the cloud: Mr. Wallace has promised to pay them 35 cents for every bushel of corn their land *could* have grown and 15 dollars for every pig they will *not* be raising, through growing more corn.

The patient is now refusing to take his food. This looks serious. But hark at Mr. Wallace! He actually declares that these restriction committees represent the beginning of economic democracy in action and form "the really significant and enduring part of the story" of agricultural reform.

Dame Nature, too, seems impressed, for she has been very kindly lending a hand. *The Times'* correspondent remarks that the drought has helped the A.A.A. programme enormously these last two years by almost wiping out surpluses of wheat, corn, and cattle.

But even with Nature to help them, the outlook is not too bright. The trouble is, as soon as prices go up consumption goes down, and the farmers begin fidgeting to produce more. At the same time foreigners, with no regard for Public School traditions, start increasing their outputs.

These snags have encouraged the cotton and wheat merchants to launch

a campaign against the A.A.A.'s policy. The cotton merchants point out that four years ago America grew sixty per cent of the world's needs, but last year only forty per cent., and that while the U.S.A. withdrew 10,000,000 acres of cotton, other countries have planted 4,000,000 acres more.

The whole scheme hinged on the expected expansion of American industry, but unfortunately industry has not expanded very much yet and there are still millions of people in America with not enough money to buy food. There are 7,000,000 children actually suffering from malnutrition.

It is all a vicious circle, and nobody in America seems to have the wit to break it. All they can do is to throw away the corn and stick the straws in their hair.

The vicious circle can be broken only by injecting *new* money into the pockets of Americans in the form of National Dividends. Money abstracted from nobody's pocket, but created out of the National Credit Account.

President Roosevelt is said to know this as well as we do, but he is also reported to have said that his business is to go where he is pushed.

Come along, Uncle Sam—push him!

### HOW THE POOR LIVE

Under this illuminating title *The Manchester Guardian* draws a grim picture of how unemployed families in Manchester keep body and soul together in an age of plenty.

"Even in the careful families," says *The Manchester Guardian*, "when the income is round about 35/- for seven members, or 50/- for man, wife, and seven children, there is never any margin, and the slightest deviation from monotonous living induces a financial crisis."

So ready money has to be raised by the most fantastic devices. For example, a family, which draws the dole on Tuesday, borrows from the family, which draws it on Friday, and so on by regular alternation. It is said that every unemployed family spends its dole within three days of drawing it.

Then there are the checks of clothing clubs. On putting down 2/- the agent of a clothing club will at once issue the mother of a family with a £1 check, the balance of 18/- being payable in weekly instalments of 1/-.

The moment she has got possession of her £1 check, she can sell it to some third party for 15/-; or, if she prefers, she can use it as currency to buy goods in shops!

"Ready-money," remarks *The Manchester Guardian*, in conclusion, "might provide a subject for a new form of social survey."

We suggest that absence of it in people's pockets might form not merely a subject for survey, but a subject for examination by specialists in mental disease.

England, my England! What have you come to when the citizens of one of your greatest industrial towns are reduced to the economic level of beggars banding themselves together to resist the ravages of a purely unnecessary poverty? — *Social Credit*.

Finance doesn't much mind whether times are fair or foul, because in fair times it makes money out of industry, and money means power, while in bad times it tends to get control of industry, which control is again power.

—Maurice Colbourne, "Economic Nationalism."

**Douglas Credit Movement,  
Block Arcade, Melbourne  
Address by Mr. G. B. Maltby.  
"A WORLD OF FELLOW-SHIP."**

On Tuesday, June 11, at 8 p.m.

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# THE COLONIAL MUTUAL IS CONTENTED

Surely there must have been a twinkle in the eye of Mr. A. Bonville Were when he said, on Wednesday of last week: "The health of our policy holders is our first consideration." For Mr. Were, as chairman of directors, was delivering the annual report of the Colonial Mutual Life Assurance Society.

The legion of the assured in that great institution, while appreciating to the full the unquestioned sincerity of the society's desire that they should live as long as possible, will be still more interested in the chairman's comparison between last year's actual deaths and the expectation of deaths on which their insurance premiums were calculated.

"The improvement in vitality statistics to which I referred on this occasion last year," said Mr. Were, "has been again reflected in the mortality experienced among our policy holders." He then proceeded to state that, of "the number of deaths and amount of claims which might be expected in accordance with the table of mortality upon which the society's liabilities are valued," the following only were actually recorded:

Ordinary department ... 50.7 p.c.  
Group policies ..... 30.9 p.c.

The Colonial Mutual has no shareholders' capital. Policyholders, therefore, will not be able to criticise their directors' premium charges in the way that might be done in the case, say, of the Mutual Life and Citizens, whose shareholders are drawing annual dividends of 80 per cent. Doubtless the extra moneys accruing to the Colonial Mutual from claims being so far below its table of mortality will be added in their entirety to policyholders' joint funds, whether as reversionary bonuses, contingency reserves or otherwise. But contingency reserves are not distributed upon the maturity of individual policies; like the brook, they go on forever. And to that large army of the assured who regard life policies as a very poor

## WHAT DOES LABOR REALLY WANT?

(Continued from page 1.)

ways be sufficient to clear the market of producers' goods.

The second—which is the immediate purpose of this illustration—is that if wages were determined by commodity tickets, the workers would always know where they stood. They could leave the Arbitration Court conscious that they had received a rise of, say, a pound of beef and a pound of butter a week. For there are always sixteen ounces to a pound of commodities, just as there are twelve inches to a foot. It is only in our insane money system that the measure keeps changing. The value of a pound note moves from day to day.

*And the reason is that the money supply is not regulated to suit the commodity supply at all. It is regulated by private bankers as an instrument of profit and power.*

There is no need to abolish the private bankers in their capacity of cashiers, accountants or keepers of deposits. But until the bankers are ousted from their throne as creators and destroyers of the people's money tickets, and until the supply of these is automatically provided in accordance with our real production of goods, we shall never abolish destitution or the dole. We shall be faced with no alternative to ever increasing taxation, and the standard of living of the worker must inevitably decline, as it has been declining these many years. Only in the future it will decline at an alarmingly increasing pace.

**Next week's article:  
The Country Party And Costs.**

## BUT WHAT ABOUT THE INDUSTRIAL POLICY HOLDERS?

investment but as a necessary wager against death, reversionary bonuses are of very little interest. What they want is to be laid the best possible odds against their sudden and financially unprovided-for decease. And it is common talk amongst such people that it is high time the assurance companies (not meaning the Colonial Mutual in particular) brought their mortality tables more into line with present-day expectations of life and reduced their annual premiums accordingly.

### GOVERNMENTS AND BORROWING

Apart from his humorous remark about the health of policyholders, Mr. Were presented a very serious, and at the same time optimistic report. By way of adverse criticism he made only the now usual and inevitable remarks about "the long trail leading

### MARKETING BOARDS AND FARMERS

**If the marketing boards increased prices, they would enable farmers to meet some of their tremendous interest burden. In that case, if this legislation is going to benefit anyone it will be the financial institutions to whom the farmers are so deeply indebted.—Mr. G. H. Lamb, M.L.A., May 30.**

back to prosperity," the "grave danger in over-borrowing," and the necessity to "keep closely to the ideal of balancing budgets."

At first sight it may seem a little ridiculous, not to say presumptuous, that the spokesman of a concern whose business is, in effect, largely that of a human race bookmaker betting on actuarial tables, should venture to give unasked advice to the nation's government. But one must remember that, the tables being very conservative, the bookmaker, in racing parlance, is betting O.R. To add to this respectability, the Colonial Mutual, like nearly every other assurance company, trustee company and Pastoral Company in Australia, is very closely linked in its directorate with our private banking institutions. General Sir Harry Chauvel, for instance, appears on the boards both of the Colonial Mutual and of the National Bank—beside which there are other quite intimate links. So it is hardly surprising that the privileged language of the bank parlour should be echoed in the board room of the assurance society.

At the same time, Mr. Were might have chosen his words with just a trifle more care. Thus, early in his report, he said: "One cannot lose sight of the fact that there is a grave danger in over-borrowing." And a little later:

**"A very gratifying feature of the society's assets is that over 52 per cent is represented by investments in Government and other stocks and debentures."**

Considering that the assets of life companies operating in Australia included in 1932 (the latest figures available) Government and municipal loans amounting to £162 millions, of which over £79 millions were held in Australia, one can be forgiven for wondering, since these companies are not producers, whence they would reap some of their many millions of annual interest if governments were not compelled to borrow so extensively. But perhaps Mr. Were meant this for another humorous remark.

### ASSURANCE COMPANIES AND TAXATION.

This seems the more likely in view of his opinions on taxation. If governments are to "keep closely to the ideal of balanced budgets," and if they are to restrict borrowing, then it follows that they must either leave the unemployed to starve or else increase taxation. Regarding the first alternative, Mr. Were would surely look upon the views of the Melbourne "Herald" as acceptable. And the "Herald" in its editorial of May 13 said: "In Victoria, and the other States also, there still persists a remnant of the nineteenth century conservatism which proclaims . . . that the victims of economic change and adversity have a right only to public charity. This callous doctrine is now falsified by world experience. It brands its few remaining adherents with stupidity."

That being ruled out of the question, we are compelled to fall back on increased taxation, for, if borrowing is to be frowned upon, the only other means of making financial provision within the code to which such gentlemen as Mr. Were subscribe is taxation. And in a time of national emergency, when the very lives of so many of our people are at stake, who should bear increased taxation? Surely such institutions as assurance companies should shoulder their share.

But Mr. Were will not have this. On the contrary, he demands complete exemption. "The action of the Federal Government," he says, "in granting some measure of relief"—a very substantial measure, he might have said

### MARCHING TO MOSCOW.

**"As citizens of this great Commonwealth it must be a source of contentment to us to see that our legislators have in the main been able to keep abreast, at least, of other countries in the march along the long trail leading back to prosperity."**

—Colonial Mutual Insurance Report for 1934.

**What our march shows for 1934:—  
Australia's public debt on January 1—£1,213 millions.  
Australia's public debt on December 31—£1,237 millions.**

—"in the taxation of mutual life offices was, although long overdue, certainly appreciated.

**"But the directors of the mutual offices . . . will not be satisfied until these thrift institutions are restored to their rightful place and rendered immune from taxation."**

Let us not be misunderstood. With Mr. Were's desire for an all-round reduction in taxation all sensible people will agree. Under a proper system of finance taxation could very quickly be lowered. But under the system, which makes life assurance, such a vital necessity it cannot be. Hence this discussion centres on the existing system.

Why should life assurance companies, even purely mutual societies, not be taxed? In theory these institutions are co-operative thrift associations. Even as such, those whose incomes are sufficient to give them a reserve are bound, if their fellow-citizens are in danger of starvation, to assist them out of their reserve. This is an accepted principle in all taxation, and is not nearly so drastic as our current wage tax.

But in practice the assurance societies are far from what they seem. They have developed into great financial corporations,

whose directors wield immense power over governments and over the very people whose thrift savings they administer. They have grasped this power to a very considerable extent by departing from their original purpose. An example is the exaction of premiums far in excess of what is required, as Mr. Were's own statement shows, resulting in the building up of colossal reserve funds, the lending or withholding of which enables them to exercise a power which is certainly quite foreign to the idea of a co-operative thrift association.

### APPALLING PERCENTAGE OF FORFEITURES

What is more, the directorates of our assurance companies have shown scant consideration for their own needy policyholders. Readers of the Colonial Mutual report must have been struck by its carefully edited references to

### THE WAY OUT!

**A proposal that the name of the Loan Council should be changed to "Australian Finance Council" was strongly urged by the Queensland Premier (Mr. Forgan Smith). He said that it would remove from the meetings of the Council the odium attaching to the word "loan."—"Herald," May 30.**

its industrial department. If ever there was a branch of business crying out to high heaven for investigation and cleaning up, it is industrial assurance, in which even the scanty figures that are revealed by the companies which conduct this class of policy show a state of affairs that can only be termed appalling.

**They reveal the assurance companies, not as custodians of the people's savings, but as their confiscators.**

The following official figures, taken from the Commonwealth Year Books, will give some idea of what is taking place. The figures are for the five-year period, 1928 to 1932; later figures are not yet available.

During those years the number of industrial policies in Australia coming to fruition through death or maturity was 278,491, representing assured amounts of £7,220,723. The number discontinued through surrender was 84,453, representing assured amounts of £4,066,971. And the number discontinued through forfeiture was 962,603, representing assured amounts of £50,350,613!

**This means that of a total of 1,325,547 industrial policies discontinued, the holders of 962,603, or over 72 per cent of the whole, lost every penny they had paid in. From which, based on these years, it follows that if you take out an industrial policy in Australia the odds are almost three to one on your pouring your money into a bottomless hole.**

While on the subject, it may be mentioned that the ordinary life assurance figures for Australia in the same years show that 87,886 policies came to death or maturity, 109,411 were surrendered, and 170,318, or 46 per cent of those discontinued, were forfeited.

**This brings the grand total of both classes of business to the stupendous figures of 1,132,921 forfeitures out of 1,693,162 policies discontinued in five years.**

Instead of our life assurance chairmen spending their time

criticising governments, therefore, is it not time, and more than time, for governments to do some serious investigating into this aspect of life assurance business?

Under the present financial regime, life assurance to most of us is almost indispensable. And as the companies' own figures—witness Mr. Were's words above—show that the premiums they charge far more than cover their risk against policyholders' deaths, those policyholders who, through various circumstances, are unable to keep up their payments should receive far more protection by law against the total forfeiture of everything they have paid during past years. Particularly does this apply to the people in poorer circumstances who mainly comprise the industrial policyholders. That 72 per cent of all such should lose every penny they put in is nothing short of a public scandal, particularly when we find the companies admitting such huge surpluses. In the case of the Colonial Mutual the ascertained surplus from the industrial department last year was given by the chairman as £212,920.

It is all very well for gentlemen such as Mr. Were to speak of "the policy of the Board to assist in some measure to solve the problem of unemployment." It is all very well for the companies—like their sister holders of thrift savings, the banks—to build palatial palaces all over Australia. But what about a little more practical assistance to their own unemployed clients—and, in passing, to their hard-working outside staffs, who are the immediate means of bringing them in revenues which break records from year to year?

## A Little Homily on Thrift

The last issue to hand of *B.I. Philosophy*, issued monthly by British Insulated Cables, Ltd., contains the following gem:—

The other day I came across the following vicious essay on thrift written by Christopher Billopp. It is being reprinted without comment:

"Thrift," he writes, "is saving tuppence by shining your own shoes. It is sending a telegram only when somebody is dead. It is having the old dress dyed a different colour and brightening it up with a girdle of a contrasting shade. It is buying shoes that were the style last year.

"It is resisting the temptation to have somebody clean your motor car and doing it yourself. It is using only one match to light four candles. It is having the old felt cleaned and reblocked, and getting your wife to take the spots off your neckties so that they will do until Christmas.

"It is waiting for movies to reach the second-run houses. It is turning out all the electric lights except those that are being used. It is having one kind of soap for the family and another kind of soap for guests. It is buying toothpaste by the gross and making one tooth brush last a year. It is writing one letter to Aunt Susie and having the other members of the family add postscripts.

"It is skimming the cream for coffee and cereal off the top of the milk bottle. It is getting books from the public library and rushing them back before two weeks are up.

It is waiting until you get into town from the suburbs and asking a friend if you can use her telephone for a few calls.

"Thrift is, in short, watching the pennies so carefully that you are enabled to live within your income with a little to spare, and thus can afford such luxuries as taxes, charities, miscellaneous contributions and investments that do not turn out so well."

## The New Times

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### BACK TO BARTER

Under the above heading the Melbourne "Herald" a few days since published this item:

"It seems strange in this age of colossal finance to learn that a Berlin firm receiving an order to construct a broadcasting station in Bulgaria has found it expedient to take payment in Bulgarian tobacco. Palestine, needing to sell innumerable Jaffa oranges, has exchanged about 100,000 cases of the fruit for 70,000 tons of coal from South Wales."

Similar paragraphs have been appearing in our press of late, the suggestion in all cases being that barter in international dealing implies a backward step. But the barter of goods is the very essence of international trade, and its only basis except for that portion which is paid for in services such as shipping.

The surprising feature about these recent barter transactions is that bank action has not ere this been taken to prevent them, or at least that similar influence has not been exercised to prevent the broadcasting of their having taken place.

The function of the banker in international trade has been to make available to sellers in each country the price of the goods sold in terms of the currency of that particular country. If trade is balanced, either directly, between two countries, or indirectly, through the bringing in of a number, the goods debts as between individuals, and likewise the money debts or bookkeeping records as between bankers, will cancel out. Only on this basis can international trade ever be satisfactorily conducted.

But in practice the principle of barter has been lost sight of in the maze of bankers' figures. Balances have remained unsatisfied, and these have been consolidated in the form of huge international debts. The reason behind this has, of course, been a lack of money in the hands of consumers.

Direct barter as between individuals in different countries is certainly cumbersome. But in the present state of monetary affairs, the more barter the better, since it must inevitably draw public attention to the lack of the money needed for distribution.

Take the case of an Australian farmer unable to dispose of his wool. He is at present given to understand that this is due to some obscure international cause over which, apparently, nobody has any control. And as it is obvious that Australia, apart altogether from monetary conditions, would never require more than a fraction of the wool she produces, our farmer is inclined to believe that there may be some truth in what the banker and University economist tell him.

But there is no lack of a demand and a need for wool in, say, Germany. And there are plenty of Germans ready to buy our wool, provided they

can pay for it with goods which they make. Imagine, then, our farmer bartering his wool for such German goods as Australians really could do with. Bring this about, and he will soon find that he can no more sell the German goods than he could his own wool. For if the people have not the money to buy the whole of their own products, how can they buy the products for which they exchange them?

If, on the other hand, the people have the necessary money, then there is no reason why all barter cannot be centralised and recorded in the form of money. That is, or was, man's purpose in inventing money - convenience. And the essence of convenience is a sufficiency.

### COCKTAILS AND GLASS BOTTLES

And the National Debt  
(THE MEDITATIONS OF A TIPPLER.)

The Methodist Conference seems to know a lot more than one would suspect about cocktail parties—that fashionable innovation which has grown in this country from a sucker thrown off by London's smart set, who contracted the malady in New York when the U.S.A. was dry. Good old beer, with its bulk and musical adherents, was not portable or potent enough in a land where it was an offence against the law to be found in possession of alcohol. So the spirit drinks became the vogue, and the cocktail, consisting of gin, flavoured by Italian and French vermouths, with a dash of brandy or some such kicking influence, grew in popularity.

When a hostess gives a cocktail party, it is understood that her guests are not invited to dinner. They simply "blow in" for an hour or so, on their way home from the races or the city, and partake of cocktails from pretty glasses and allegedly appetising tit-bits of highly seasoned varieties of food. The rivalry amongst these smart hostesses is keen, and they out-cocktail one another with as much determination and satisfaction as any pugilist knocks out his opponent. Almost invariably the guests, having partaken of the cocktails, do not go straight home. They go back to the city for dinner, and carry on the good work.

#### "MOTHER'S RUIN."

It is not many years since gin was a drink little used except by people with kidney complaints or by female tipplers. In fact, it was known as "Mother's Ruin." Nowadays, of course, gin is consumed in large quantities, and the campaign, which brought it into favour has been a real success. Its clear, crystal beauty and wonderfully beneficial health qualities are brought before us in striking newspaper and radio advertisements. The advantages of being able to buy gin in flasks suitable for the hip pocket are put forth as another of its virtues. Romantic youth, a-bulging with synthetic hip disease, swaying to the strains of the "Blue Danube," then swaying out the door to have a refresher from the flask of Mother's Ruin—where is it getting us to?

Gin in this country is made mostly from grain, barley being the popular base. It may also be made from potatoes. Unlike whisky, gin comes straight from the still into the bottle (or hip flask) ready for consumption. Whisky, in obedience to the law, must mature in the wood for at least two years, and it goes on improving in the wood. To say a whisky is old is to praise it. Not so with gin. Whisky might be like the gold of the gold standard, while gin more closely resembles the bank created

credit, so quickly can it be produced and in such large quantity. The important thing to bear in mind is that gin contains about 65 per cent of alcohol, whisky about the same, and beer only four per cent.

#### WHERE THE PROFIT LIES.

The hotelkeeper makes most profit from the sale of beer over the counter. The gin drinking craze is not much good to him. Certainly he sells a few stray bottles (or hip flasks) of gin, but the suburban grocer with the spirit license benefits most from the cocktail party fashion. The hotelkeeper, in fact, is in a cleft stick. He is allied with the breweries in defending the cause of the liquor trade against the onslaughts of the temperance movements, but his interests do not altogether coincide with those of the breweries. For instance, he pays the brewery about 5/- per gallon for beer in bottles and 3/- for beer in barrels. On the sale of a bottle of beer he makes about 2d, and the same quantity sold over the counter (from the barrel) yields him nearer to 1/- profit. Then, after allowing for cost of bottles and all bottling charges, it would be safe to say that the brewery receives greater profit by selling bottled than bulk beer to the hotelkeeper. So we may assume that the bottle trade suits the brewery quite well from that viewpoint.

Now it is generally understood that the hotel proprietor would like the trading hours to be extended beyond 6 p.m., and we could reasonably assume that an increased sale of bulk beer is the major incentive to him, but the

#### A NEW JOB FOR THE BANKS

The Attorney-General of Australia (Mr. R. G. Menzies), responding to the toast of the guests, emphasised that the banks were trustees of the nation's solvency. They could not ignore politics. The strong showing of the Douglas Credit group in Australia showed that the banks must educate the people. —"Herald" report of bankers' dinner in London, May 30.

bottle trade would suffer, and that might not suit the brewery interests. It certainly would not appeal to the glass bottle manufacturers, and particularly to those financial gentlemen who are interested at one and the same time in the glass and brewing industries.

#### THE REVENUE ASPECT

Another very interesting aspect of the drink question is the amount of revenue collected by the Government from the liquor trade. A bottle of Australian whisky or gin costing the public 7/6 returns about 3/- in taxation. Imported lines yield near to 5/-. If, therefore, Australia ever goes dry, there will be a tremendous raid on the earnings of all, teetotalers included, to provide incomes for those previously supported by revenue from liquor.

Or perhaps there won't be anything of the kind. Our University professors may see a means of adjusting matters by adding to the national debt, and paying the interest by taxing tram tickets or scooters.

#### "THE SCIENCE OF SCARCITY"

An Economist on Economics

"Actually economics only studies what happens when things are scarce.

"Economics is not concerned with the structure and technique of production of any article, but only with the fact that the article is scarce. That is the property, which interests the economists, as weight and mass interest the physical scientist. We can reasonably call economics the science of scarcity."

—From "The Approach to Economics," by H. M. Scott, B.Sc.Econ., late Metcalfe Scholar of London School of Economics.

## "TELLING THE TRUTH"

### An Address to Diehard Socialists

By "D.V.," in the "New Age."

It is not easy to tell the truth. Anyone here who has tried will know what I mean. The only way I can get anywhere near it is to tell you about the unpleasant side of myself.

Some time ago I was foolish enough to do some work, and I hope I shall never be so silly again as long as I live. Not only have I a conscientious objection to work, I have moral scruples as well. It seems to me to be a mean sort of thing to do another chap out of a job. Any job of work I get means that someone else is done out of it. It is a far, far better thing for me to let others do the work and just enjoy the goods. They like the work. I like the goods they produce. If there were more of that sort of give-and-take in the world there would not be nearly so much discontent about.

Of course, I know that before I get the goods I must get the money to buy them with. A silly idea really, but there it is. Unfortunately, I am not one of the idle rich. I wish I were. The idle rich are the workingman's best friends. They just spend the money they get from dividends, keep others in work, and never, never do anyone out of a job.

Why the Trade Unions haven't put up a monument to "the idle rich" bigger than any other any-where I cannot imagine.

I should write up to the promoters at once, and suggest some gold lettering.

"To the Noble Altruists.

"They gave and took not."

I hope to be one of that noble band of idle rich some day when the National Dividend comes in, but until then I get the money as best I can without working for it.

One of the easy ways to make money without working for it is to say a few words to a lot of people. You see, there are always fools who will come into a building to hear talk. And you can't do anyone out of his chance at the same game, for there's always room for another gasbag. It is comforting to know it has that moral side to it. The best sort of gas is the strong stuff; the stronger it is the more you get for it; but the doping gas pays best. If you can soothe a crowd with pleasant day-dreams; tell them how much better they are than the other fellows, send them chasing after a red herring while the hare runs round them; make them feel pleased about themselves and happy about the future, you can command top prices for your gas.

They wouldn't give me anything for speaking to you here tonight, and that's why I'm telling you the truth. That is my little revenge.

If a friend of mine said to me, "I've just won a big prize in the Irish Sweepstake. Will you share the ticket with me?" I should say, "Yes," at once, and stick to him till I got the cash.

That is the sort of low-down fellow I am. I am after the cash. And, of course, that is why I'm so keen about this National Dividend. "Something for nothing."

I know you wouldn't be like that, which shows how much better you are than I am.

You would say, "Keep your blank money! What I want is work!"

And you would be quite right. I wish I could say it and mean it as you do. If I said it I should be lying, and I'm

not going to lie unless I'm paid for it.

The desire for work evidences the right spirit. It is quite understood that you want something for it, just enough to live on, and a little bit over for beer and tobacco.

Cultivate that work spirit if you want the Capitalists to think well of you, and the Governor of the Bank of England, the Chancellor of the Exchequer, the Press and the Members of Parliament.

They will all tell you that "something for nothing" will ruin the country.

It is very easy to ruin the country. The moment you cease to bother about the foreigner, and leave him to manage his own affairs, the country begins to go to the dogs. Then, as soon as you make everyone prosperous, and happily consuming as much of their own production as they can, the trick is done. Blank ruin! Absolute and complete!

Now the only way to put that right would be to call in, and destroy, nearly all the money about, have heavy taxation to stop people from buying things, and then, when lots of goods are being destroyed, to keep up prices, and everybody is miserable again—Behold!—the country is saved.

Don't let us ruin the country. Let us make everybody work. The more goods we produce the stronger will be our competition with other nations all at the same game of fighting for the world's markets.

When that fight of peace can't get any fiercer there will be a world war.

Not a bad thing a real big war! The more war there is the more money there'll be about, just as there was in the last war.

Well, I like money, and if we can't have it without a war, for heaven's sake let us have a real smasher.

Don't let us have "something for nothing." Make everybody work, and we'll have a war before you can say knife; and I hope you'll enjoy it.

## RATS!

The damage caused by rats and mice in England and Wales, according to the latest figures, reaches an annual figure greater than half the interest on the National Debt. Statisticians have calculated that this country harbours over 44,000,000 rats and 88,000,000 mice, which eat and destroy about £134,000,000-worth of food and material per annum. The matter has become so serious that an Act of Parliament has been passed making it compulsory for the occupiers of premises to keep them free from these vermin.

All this, of course, is very shocking, but in justice to rats and mice we must point out that very much the same thing is being done by the restrictionists, who work so valiantly to get rid of "surplus" stocks and prevent more of them being accumulated. Certainly, it has been discovered that a pair of rats will produce 130 in one year, which will increase to 5858 in two years, and so on in geometrical progression until at the end of four years there are 11,000,000 rats, whereas the birthrate among restrictionists appears to be normal. But in these days, when the main objectives are to create work and raise prices, this is one up for the rat.

So long as the aims of modern economics remain as they are, we should surely refrain from passing Acts of Parliament such as the above. In fact, we might canonise the rat as a public benefactor.

Only under Social Credit would he become a genuine pest, for under Social Credit no reduction in food or goods needed for consumption could possibly benefit anybody. — *Social Credit*.

## "THE WELFARE OF THOSE DESERVING MEN"

### The National Bank and the Farmer

"We have pursued the deliberate design of helping those whom we felt assured were prepared and able to help themselves. . . . In short, we have followed a methodical policy of friendly discrimination, and in this regard have adopted the only sane and intelligent course which in the circumstances was open to us."

In these words, uttered at the annual meeting last week of shareholders of the National Bank, Sir James Elder, the bank's chairman, outlined the policy of the institution over which he presides towards the primary producers, towards "the welfare of those deserving men whom world circumstances have so sorely tried."

Sir James went on to say: "However, I wish to add a note warning as to the future. We all earnestly hope for a return of better conditions, but should this be much longer delayed, the situation may become increasingly difficult, and a point be reached when it may become impossible to continue assistance to some of those whose present position is already in question, and who may later become hopelessly involved. To continue general support to an uneconomic situation would be a blunder."

These grave words, coming from a leading banker with whose policy it may be presumed other leading bankers are in agreement, cannot fail to cause further apprehension to our already overburdened farmers. For how many amongst them are there whose present position is not in question?

From reports on all sides it appears that there is a growing hostility on the part of the farmer towards the banker. That hostility has hardly yet taken definite shape or form, but the farmer, finding that his every action is now dominated by the bank, and seeing his neighbours all around him little better than bank serfs, is in a mood of more than discontent.

It would be well, therefore, if the farmer understood clearly just why, in a period of bountiful seasons, he finds his property mortgaged up to the hilt. The explanation is not difficult. The National Bank itself correctly indicated the reason in 1932.

#### HOW PRODUCTION IS FINANCED.

In its Summary of Australian Conditions for August of that year, the bank wrote as follows: "It may be interesting to trace a banking transaction through from the point at which production commences to that at which the consumer buys the goods produced either for consumption or for some other satisfaction. We will consider the operations of a farmer who, owning land and stock, wishes to grow a crop of wheat. He has no ready money, but he arranges with the bank to pay his cheque up to some specified amount, which is sufficient to provide him with sustenance and to purchase fertilisers, seed wheat and fodder for his horses. He puts in his crop, and, when it is grown and harvested, he draws further upon the bank to pay for wages, bags, cartage and other items. When he has sold and delivered the wheat to the miller or merchant, he repays the bank advance with the purchaser's cheque.

"The miller to whom he sells may not have sufficient money lying at his credit to buy all the wheat he may require. Consequently he, in his turn, arranges for advances from the bank to pay the farmer, and the

cheque for the wheat, which pays off the farmer's debt creates a new debt in the name of the miller. The latter overdraft is cleared off in due course when the wheat is turned into flour and sold to the baker.

"But the baker's capital may be invested in his plant and equipment, and he may have needed to obtain credit from the miller or the bank. It is common enough for the flour to be baked into bread and sold and eaten, and the three penny bits and sixpences paid for the loaves to have flowed back to the baker, and from him to the bank, and by cheque on the baker's account to the miller, before the last-mentioned man's overdraft has been reduced and the transaction which started with the farmer has been completed.

"The same chain, but wider in its scope, or longer in the time taken to complete it, attaches to a large proportion of the transactions now carried on by our business community."

#### WHAT THE BANK OMITTED.

The bank's explanation, as far as it goes, is quite satisfactory. But the bank might have gone a little further. It might have explained that almost the whole of the community's money supply begin as an interest-bearing debt to a bank. Where individuals in the community have financial capital, this is almost always merely the offset to someone else's overdraft. Hence, if bank overdrafts are to be repaid, bank deposits must first disappear.

But the vital points, which the bank omitted to mention, and which deeply concern the farmer and everyone else in the community, are these:

In the various stages of the production of goods it is possible for each person to recover his costs (including his own wage or profit) only if the banking system makes available to the next in succession a new issue of credit sufficient to cover those costs. Thus the cost of wheat to the miller includes the farmer's debt to the bank, with interest thereon, plus the farmer's profit. The debt of the farmer to the bank includes all his operating expenses - wages, raw material, plant charges, etc.

The bank explains this, and makes it clear that the costs of each stage of production are included in the price to the next comer.

**But why does the bank stop short at the baker? Where do all the three-penny bits and sixpences come from that enable him to pay his own wages and operating expenses and to make a living for himself?**

#### THE CONSUMER'S SHORTAGE

At the stage when the baker takes over the flour there is in existence a debt to the bank equal to the price he pays for it. That debt includes all charges incurred by farmer and miller, plus their wage or profit. Before the bread reaches the public there must be added to it all the baker's costs, plus his own wage or profit.

And what money has been put into the hands of the public? The farmer has his profit; so has the miller (provided the bank advanced to the baker the full invoiced price of the flour). And a certain amount has been distributed by both of the former in wages, either directly or, through payment for raw materials, etc., indirectly.

But all along the way you will find charges included which have

not been distributed at all. For instance, the miller will generally nowadays be a shareholding company. When the mill was erected, the money issued in construction was withdrawn from the community through a share issue, leaving scrip only in the hands of the public, but no money to correspond with the capital value of the mill. But the mill wears out, and so the milling company must charge into every ton of flour something for depreciation. It receives this money on making the sale to the baker, but it does not immediately distribute it. It puts it aside into a reserve fund. Still, the depreciation of the mill is charged up to the public.

And there are all sorts of other items, too numerous to mention here—company reserves of all kinds, disclosed and undisclosed; plant charges; provision for bad and doubtful debts—a regular litany of undistributed costs. The associated private banks in Australia, as a case in point, admit to holding over £31 millions in reserves. And there are also thrift savings.

But even if all these charges were distributed, even if no one saved any of the money disbursed for production, even if wages paid for the farmer's fertiliser last year were available to buy his bread this year, even if a long addition of minus signs gave a plus total, there still remain the retailer's charges and his own wage.

If farmers would turn these things over in their minds they would understand why the National Bank is prepared to help only those who are able to help themselves. For under existing circumstances one man's success must mean another's failure. Only the very strong or the unscrupulous can succeed in getting sufficient when there is not enough to go round.

#### CAUSE OF NATIONAL DEBT

The same line of reasoning would explain to the farmers why our national debt on which they are taxed so heavily has increased by nearly £1000 millions since 1913, and why it still grows, and must grow, by leaps and bounds. The issue of money by the banks as national debt helps to supplement the shortages shown above, for national disbursements of borrowed money on public works and doles do not add to the goods on the market. Sir James Elder himself points this out when he says:

"The large distributions by Governments from further heavy borrowings have tended artificially to stimulate the country's trade, but the fact that such payments are not made out of national income, and so add materially to the already grave burden of our national debt, is a most disturbing factor in our economic position."

It is indeed disturbing, but one may be pardoned if one is just a little sceptical at the concern of Sir James. For does not the national debt represent money coming directly or indirectly from the banks? Is it not carrying its toll of interest to them? And does it not make them the unseen Government?

At the same time, when banks, for their own reasons, do decline to make up the deficiency of money in the community by sufficient doses of national debt or similar processes—as they have been declining of recent years—it does not take long for our house-that-jack-built story to work backwards. Very soon the shortage works back from baker to miller to farmer. And so the farmer's property, the collateral security that the banker demanded for his advance of credit, passes under the control of the banker. Which, from a banker's point of view, may even be good business.

## LETTERS TO THE EDITOR

"The New Times" invites correspondence from readers on any matters of public interest. Disagreement with, or criticism of the policy of this paper will not be a bar to the publication of letters containing constructive suggestions, briefly expressed; but the Editor reserves the right to reject publication of any letters deemed unsuitable, or to condense when necessary. Rejected letters will not be returned unless accompanied by stamped and addressed envelope. The name and address of sender (not necessarily for publication) must be forwarded with all communications.

### OUR DISCONTENTED TEACHERS

Permit me to tender through your columns my appreciation of the article, "Why Our Teachers Are Discontented." This exposure of their treatment over the past twenty years is most enlightening and should help the public to sympathise with them in their insistence for relief.

Seeing that they are taking an interest in the battle for monetary reform, may I suggest that they put before their senior students the following analogy:

A philanthropic cinema proprietor conceived the idea of giving an afternoon's entertainment to the slum children of his suburb. His theatre has seating accommodation for 1000, so he invites 1000 children to the show, and at the appointed time they arrive and queue up before the ticket-box, receiving their admission ticket as they pass on to the entrance, where the doorkeeper receives it, destroying it by tearing it in two.

When 750 have passed in the supply of tickets runs out and though 250 seats are still available and 250 children are waiting to occupy them, they are turned away by the ticket box officials.

Question: What would the proprietor say when he discovered this?

Probable answers from pupils:

(1) Get more tickets.

(2) Warn the ticket authorities to see that there should always be sufficient tickets for seats.

(3) Threaten them with dismissal if they again fail in this duty.

Now present the problem in this form:

In our glorious continent of Australia there is always now available an abundance of food, clothing, material for houses, luxuries, entertainment, etc., yet only about 15 per cent of our people can get sufficient of these good things because there are always insufficient tickets (pound notes) available.

Question: How shall we rectify this mistake?

Again, the obvious answer: Issue more of these pound tickets, sufficient to buy what is available.

But we can't do this, children. We do not control the box offices, although we are the owners, producers, and proprietors of this continent, the same as the proprietor of the cinema theatre.

Question: What do you suggest now?

Answer: Because we are the owners of this big show we should do what our cinema proprietor did. Order a sufficient supply of tickets for the good things awaiting us or dismiss the managers of the ticket supply.

Question: What would be the result of a sufficient supply of tickets?

Answer: (1) No poverty; (2) Contentment; (3) Prosperity and happiness—Now tell dad and mum.

—ANOTHER TEACHER.

\* \* \*

It was with interest that I read the article, "Why Our Teachers Are Discontented," in the initial issue of your paper, and may I suggest to them that they, above all, are in a position to educate the coming generation on the nature of money and its true use.

I understand that "projects" now form a regular part of their schoolwork, under the recently introduced new curriculum.

Beginning with the origin of money and tracing its history through to the present time would form an excellent educative project for senior scholars, and would afford the youth of today that in-

formation denied their parents most of whom have quite an erroneous idea, or an extremely nebulous one, of its true function. —SOCIAL CREDIT SUPPORTER.

### GOLD FLOTATIONS

As a layman unversed in the intricacies of finance I cannot understand why the Government, as custodian of the public interests, places safeguards against the flotation of oil ventures because they may be spurious, yet allows gold mines, not only in Australia but in all sorts of obscure parts, to be floated in Australia apparently without investigation or restriction of any kind whatever. I understand that the proportion of gold mines, which ever reaches the dividend stage, is negligible.

What becomes of the money subscribed? Does most of it go in materials and wages on the job, or is there a rich rake-off for managerial expenses?

—SUCKER.

### INSTRUCTING M's.P.

The citizens of Coburg missed an opportunity in not making their will known, and instructing their Parliamentary representative to take the steps necessary to carry it out.

It is true a resolution was passed in favour of the abolition of poverty; but Mr. Blackburn had also expressed himself as being in favour of abolishing poverty by the setting up of a socialistic State in which everyone shall work in industry, whether such work is necessary or not, and whether we like it or not—Adam's curse with a vengeance.

However interesting Mr. Blackburn's socialistic views may be, they are irrelevant. He is the piper and the electors call the tune. It is the will of the people who attended that meeting that they should have their effective incomes increased—that is, they want the National Dividend without any increase in the cost of living.

There is little doubt that this is what the great majority of electors want. They do not want Five Year Plans, Premiers' Plans, or any other similar plan. They support and advance such plans only because they think such will bring an increase in incomes, or, as they may prefer to say, a better standard of living. This should have been made clear to the member for Bourke (as it should be to all members of Parliament), and he should have been asked whether or not he, for one, is prepared to call in the experts necessary to inaugurate a system that will give the people what they desire; and if he should reply that he is not prepared to do this, he should be told that *he* is not required.

However, the meeting at Coburg is a good beginning, and it is to be hoped that electors in other districts will summon their representatives to meet them so that they can make their desire known, and also make it clear to these representatives that they are to get it carried out or get out themselves.

Every elector has a plan different from the rest, but 99 per cent have the same desire for a better standard of living; therefore, it is the business of electors (if they want to get anywhere) not to formulate plans, but to express their will, and for the representatives in Parliament to have it carried out.

F. NEWMAN.

If the present economic system is breaking down in practice, surely the first thing to be discussed by people who did not mistake a museum for an asylum would be the theories on which that practice was based.

—Maurice Colbourne, "Economic Nationalism."

## WHAT IS THE PLAN OF DOUGLAS?

[Editor's Note. —The following summary of the economic plan of Major C. H. Douglas, probably the most discussed man in the world today, is reprinted from a recent issue of the *Weekly Province*, of Vancouver, Canada. The recent calling in of Major Douglas as economic adviser by the State of Alberta has brought Social Credit into the front page news in Canada, just as it has gained a tremendous impetus in the United States through its advocacy by the famous radio priest, Fr. Charles Coughlin]

So much has been written at length on the Social Credit theory of Major C. H. Douglas, the famous British engineer, who was recently appointed economic adviser to the Government of Alberta, that a brief summary of his ideas may be timely. One does not need to be a Social Creditor to find much of interest in his theories, which now meet wide support, as well as academic scorn and condemnation throughout the English-speaking world.

The goal of Social Credit is constantly increasing production, steadily declining prices, economic security and an abundance of the necessities of life, continuation of the displacement of human labour by machine labour, the elimination of public and private debt, production for use without sacrificing the profit motive as a regulator of efficiency, the elimination of international trade rivalry and war, higher standards of education and the intelligent use of leisure as men are progressively freed from labour by scientific and mechanical development.

*Douglas believes that poverty could be abolished in any civilised country, independently of others, by the use of its national credit as an additional source of purchasing power to individual incomes. His theory runs directly counter to that of Socialism and Communism.*

He would give a new lease of life to Capitalism and the profit motive in exchange for social and economic security for all. This, he contends, is utterly impossible under Capitalism as long as it is dominated by bank-finance.

### END BANK DOMINATION

He would eventually end bank domination by withdrawing from banks the right to issue credit and currency, which would revert to the Crown, as representing the nation banks would thereafter be permitted to lend only their capital and surplus; their principal use would be as depositories of credits and currency, on which they would pay no interest, but would charge fees for cheque privileges, safeguarding and other bank services.

*The banking system would not be nationalised; it would remain in private hands, shorn of its present power of creating*

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*and controlling the volume of credit.*

Whereas industry is now financed at the production end through the creation of bank credit and its extension to producers for working capital, Douglas would reverse the order and finance consumption. Business would be so capitalised as to include working capital along with fixed assets, making loans for production generally unnecessary. Because of the inability of bank deposits to earn interest, savings would be quickly withdrawn directly into the share-capitalisation of industry, steadily increasing the industrial equipment of the nation and its output at constantly decreasing prices to consumers, leading to abundance for all.

According to Douglas and a host of writers who are supporting his theories in many countries, the capitalistic system of production and distribution is at present in bondage to national, and international bankers, with an ever-increasing tendency towards centralised, monopolised, direct or indirect bank control under which production must operate on a permanent debt basis.

Largely through amortisation of capital investment and interest payments on working capital, he contends, prices are manufactured faster than purchasing power is distributed.

The true cost of production, says Douglas, is the material and energy consumed in the process of production, whereas the price asked on the market must include amortisation of capital assets, insurance, etc., interest on borrowed working capital, and profit.

### NATIONAL DIVIDENDS.

A nation as a going concern is normally increasing its wealth by building new roads, railroads, bridges, factories, homes, and clearing and draining new land for production, in addition to its regular production of goods for immediate consumption. Major Douglas would extend the work of the Government statistical department to compile periodic records of all production and consumption. Imports would be classed with production; exports with consumption. The annual net increase of real wealth would then be entered as a credit to the nation in the national accounting system. That credit would be available for distribution to the public by cheque, either as a national dividend to increase the individual's purchasing power derived from wages, dividends, rent, etc., or for distribution as a "just price discount."

The just price discount may be described as follows:

*The true cost of producing an article is the quantity of goods and energy consumed in its manufacture. The other items of interest, profit, etc., added to this basic cost to make the price of the article are extraneous to true cost, and, while unavoidable, are not counter-balanced by effective purchasing power in the hands of prospective buyers.*

Knowing the volume of production, measured in prices, and the actual volume of goods consumed in manufacture, the Government statistical department would announce the ratio of total production to total consumption for a given period. If the value of the goods used up in production were three-fourths of the total prices of the finished goods, the just price discount for the succeeding period would be the remaining quarter of prices.

The buyer of an eight-dollar pair of shoes would therefore pay six dollars and the merchant would claim and receive the other two dollars from the national credit fund. The merchant could not abuse the system by merely tacking an extra two dollars to his regular price because he would be in competition with other merchants, and, other things being equal, the merchant quoting the lowest

price would make the sale, exactly as today.

### CHEAPEN COST OF LIVING.

It is important to notice that the just price discount would only be payable on ultimate consumers' goods, such as food, clothing, household furniture, automobiles for personal use and other personal effects.

*The object of the just price discount would be to cheapen the cost of living necessities and comforts by vastly increased production and distribution. The only limit to the standard of living would be the physical ability of the country to produce.*

As only part of the net annual increase in the real wealth of the nation would be paid out in the form of just price discounts, the remainder would be available either for the redemption of existing public debt, reduction of taxation, or for distribution as a national dividend to individuals on a per capita basis.

*Present production being limited chiefly by lack of purchasing power and the poverty of the masses, the national dividend for all is widely favoured by supporters of Douglas, who see in it both an immediate necessity and a quick solution of the problem of distribution.*

The size of the dividend, which would be equal for all, young and old, rich and poor alike, all being equal co-heirs of the cultural heritage of the nation, would depend entirely upon the extent of the growth of capital wealth. If the net real wealth increased rapidly, the dividend would be increased at the same relative rate to enable the whole public to consume what had been produced and to meet the costs, of capital plant, which costs, of course, are embodied in prices of consumers' goods. Equalised distribution of the national dividend would tend to offset the unequal distribution of wages, salaries, dividends and other income.

*The need to dump goods on foreign markets would be eliminated. Foreign trade would become a matter of exchanging true surpluses and services not produced or available at home, and the struggle for a favourable balance a broad would be ended. The purpose of production would be consumption.*

### PROFIT WOULD REMAIN.

The profit motive would remain as an incentive to production; competition would be maintained (or restored where it has disappeared through financial control) as a limiting factor on profit and a guarantee of efficiency. Capitalism would be harnessed for the benefit of all rather than the few, with a minimum of disturbance to the existing order, leaving the road open to any further development that the intelligence of the race might devise with the passage of time.

A brief summary of the Douglas plan cannot attempt to clarify all the points raised in the examination of so vast a problem, but a great many books on the subject are available.

Socialists deny that the Douglas plan would solve any major social or economic problem, as it does not discard the profit motive. Communists scorn it utterly, and generally deal with it, if at all, in footnotes. It is not surprising that some bankers consider Douglas a madman. Many economists appear to regard him as they regard Prof. Soddy—another engineer—an intruder in their special field, one rather presumptuous in attempting to solve a problem which they have failed to solve themselves. The strength of the movement in England is derived from business and professional men and the clergy.

### HE HEARS OUR GENTLE VOICES CALLING—

"Since we left Australia, things have improved more than we ever anticipated."  
—Mr. Lyons, May 29.

## Signs of the New Times

### Diagnosing by Electricity —

### Curing By Radio — Growing

### Vegetables in Desert

Electricity was employed nowadays for such divergent purposes as diagnosing diseases of the heart and improving winter egg production, said Professor C. Marchant, lecturing in Dublin on April 12 under the auspices of the Institution of Electrical Engineers, of which he is president.

It was, he said, used by the surgeon in operations and by the physician in the treatment of disease.

Ten messages could be telegraphed to any part of the world in the same time as it took to send one message when the first Atlantic cable was laid, while great improvements had been made in the light-producing efficiency of electric lamps. Electricity had done more than any other single agent to reduce domestic drudgery.

### MEDICAL ADVICE BY

### RADIO.

The International Centre of Medical Radio Communication, which was formed in Rome a few weeks ago under the honorary presidency of the Marchese Marconi (says a message from Rome on April 22), has given a first proof of its utility and efficiency.

The captain of the Italian steamer Perla, then in the middle of the Atlantic, sent a wireless message to Professor Guida, the Director of the Centre, asking for guidance in the treatment to be given to a stoker who was seriously ill. The sick man, who was believed to be suffering from Pett's disease, had a high temperature, accompanied by violent convulsions. The Centre consulted a specialist by telephone and was able, after a few minutes, to transmit to the captain of the Perla the treatment he should apply. This brought immediate and lasting relief to the patient.

### MAKING THE DESERT BLOOM

One aspect of the construction of the Iraq-Mediterranean oil pipeline, to which little attention has so far been paid, was the organising of a water supply sufficient for the construction and maintenance of the line in what is commonly known as a waterless desert, says a Baghdad correspondent of the London "Times."

An army of workers amounting at times to 15,000 men was employed on laying the line, and besides their requirements for drinking, cooking and washing, large supplies were needed for cars, lorries and tractors and for mixing concrete and cement for the construction of the pumping-stations.

When the line which the pipes were to follow had been surveyed and traced, water engineers with boring rigs were sent out to find water as near as possible to the sites fixed for the pumping stations, and at other points which would be suitable for construction and base camps. Good water was eventually found everywhere at an average depth of 600 feet, though in some cases it had to be piped from wells as much as 20 miles from the line.

Now that construction is finished and water is only required for the pumping stations, the average desert station finds it possible to allow 4000 gallons daily for the irrigation of gardens and yet keep its consumption below half the maximum.

The result is that each station—with a staff of some 50 persons

—is able to grow an ample supply of vegetables, to which fruit may soon be added, and is by way of becoming a genuine oasis in the desert.

The comparative facility with which the Iraq Petroleum Company provided itself with the necessary water opens up new and interesting possibilities for the deserts of Syria and Arabia.

## FARMERS BURN EFFIGIES OF PRIMATE AND QUEEN ANNE

### But Overlook Montagu Norman

A Canadian paper recently to hand gives a two-column account of an incident in England that was apparently "overlooked" by most of our great Australian newspapers.

A body of more than 100 farmers of Kent, irate over the difficulties in which they have been placed through the collection of the ecclesiastical tithe known as "Queen Anne's Bounty," marched in procession, headed by effigies of the Archbishop of Canterbury and Queen Anne. A bonfire of the effigies followed, the heat engendered being on a par with the warmth of the anti-clerical opinions expressed.

There is no question but that the tithes are very burdensome on the farmers at present. They raised no objection to their payment in what we now call normal times; their argument is that the burden has now become too heavy

*because the prices for their products have been cut in half by the depression.*

But why blame the Archbishop of Canterbury for that? And, as for Queen Anne, would not the demonstrators have been more logical had they turned their attention to her predecessor, William of Orange, who first pledged their nation's credit and surrendered the manipulation of prices to the private individuals known as the Bank of England?

But why go into ancient history at all? The hardship inflicted on English farmers, and on farmers everywhere, is directly caused by the action of the present directors of the Bank of England and their international associates in causing a universal shortage of money. And all the anti-clerical outbursts in the world will never remedy this state of affairs, which cannot be cured except by the people, through their voting power, reasserting their own sovereignty. Anti-clericalism, as a matter of hard fact, plays right into the hands of international finance, for it is only the restraint imposed by the still general acceptance of some religious standards that is preserving us from the open proclamation of the Slave State.

### BUILDING "ACTIVITY"

Although building permits are much below pre-depression levels, the value of buildings erected in Melbourne and suburbs shows a substantial improvement, and the building trade activity continues.

—"The Argus" (quoting from National Bank Summary), April 13.

Following a report agreed to on Wednesday by the council of the Building Industry Congress, in which the building industry was stated to be in an unhealthy condition of profitless prosperity, the Master Builders' Association of Victoria has decided to convene a meeting of those engaged in the industry and the manufacturing, merchandising, and contracting sections with which they have close business relations.

In the report it was stated that builders, manufacturers, merchants, and subcontractors were compelled to obtain business through "unduly competitive price-cutting and improper credit advances, and in turn to force similar conditions on the next section." This process has given rise to many unethical and unbusinesslike practices. — "The Argus," same day.

## WILL ALBERTA LEAD THE WORLD?

### Extraordinary Situation in Western Canada

(By J.D.B. in *Social Credit*, April 26.)

Those who wish to understand the Social Credit position in Western Canada must keep the distinction clear between what is possible in theory and in practice. Assuming that the province of Alberta, like Scotland or even smaller units, has enough real wealth to be considered a suitable credit area, technically speaking, for the application of a Douglas Social Credit plan, the question, which arises, is whether or not effective political action can be taken in such an area to lead to the desired results.

#### STATUS OF CANADIAN PROVINCES.

The provinces of Canada, like the States of the Australian Commonwealth, are not "sovereign"—that is to say, for purposes of the question at issue, they have no control over their own money or over federal legislation relating to the of money. Since Social Credit involves in the first place a technical adjustment in the monetary system, it seems probable that Alberta can, in

#### "THE ARGUS" SEES IT.

Governments come and go, and parties succeed one another in office, if not in power.  
—"Argus" editorial, May 28.

theory, do little to change the existing state of affairs.

In practice, however, she can do a good deal. Major Douglas made it clear, in the course of his evidence before a committee of the Alberta Legislature in 1934, that it is the deliberate policy of those who control the financial system to make every important question larger and larger, thus eventually turning it into a "world question," insoluble by anything less than an international conference at which the only really sovereign state is that of international finance. He concluded that to turn the problem applying Social Credit from a provincial into a federal one would not necessarily solve it, and that it was the business of the people of Alberta first to define their objective, and then for their representatives to see what they could do, step by step, towards breaking down the obstacles in their way, by means of political pressure applied wherever it would be most effective.

That his advice has been appreciated can be seen in several remarkable recent developments. In the first place Major Douglas has now definitely accepted an invitation of the Alberta Government to Reconstruction Adviser for a period not exceeding two years, on terms which guarantee him press radio facilities while he is in the province, and which remove his appointment altogether from the sphere of party politics. He will investigate the constitutional and financial position of the province, if he finds it feasible to do so, then advise in the drawing up practical plan of action designed to lead to the adoption of technically sound Social Credit principles.

In the second place the Alberta Provincial Douglas Social Credit Association has recently communicated with every member of the Legislative Assembly, asking for an answer to the following questions: (a) Are you in favour of the abolition of poverty? (b) Are you in favour of the utilisation of National Credit for this purpose? (c) Are you in favour of the correction of existing laws retarding this necessary reform either Provincial or Federal?

#### WIDESPREAD SOCIAL CREDIT SUPPORT.

There are four political parties in the Legislature: the U.F.A. (from which the present Government is drawn), the Liberals, the Conservatives, and the Labor Group, which is affiliated with the

C.C.F. The total membership is 62, and recent reports show that 36 representatives have so far replied to the questionnaire. The overwhelmingly favourable tone of the replies can be judged from the fact that the leaders of all parties, with minor qualifications, answered, "Yes" to each of the questions. The Association has communicated these results to the press, and in the course of its statement says, "We fully realise that the achievements of the Provincial Members are limited by their powers, but we feel that the unanimity of the replies and the entire absence of partyism augurs well for Douglas Social Credit."

Next there is the correspondence, which has been taking place between the New Age Club of Calgary and R. B. Bennett, the Prime Minister of Canada. Although this might appear to be a Federal matter, it is worthy of record here because the Premier's seat is Calgary West, and that can hardly be considered a healthy constituency for anyone who is not prepared to treat Social Credit with the greatest respect. In response to the Club's message calling for "a national dividend from the nation's credit" as the only solution for Canada's ills the Premier requested a fuller explanation, which was at once provided, and the correspondence was published in the *Ottawa Citizen* and elsewhere.

#### THE ABERHART PROPOSALS

Finally William Aberhart, a Calgary teacher, who has gained a large and enthusiastic following, more especially in the southern half of the province, launched early this month a new political party to contest the coming elections on what *The Times* Edmonton correspondent describes as "the Aberhart version of Major Douglas's Social Credit plans." He goes on to say that Aberhart, "by means of the wireless service, a large staff of travelling speakers, and his own propaganda newspaper," has attracted sufficient support to represent a real threat to the present provincial Government.

Aberhart takes the view that immediate provincial application of his Social Credit plan is possible. If one may judge by reports, his proposals, which I gather are primarily put forward for explanatory purposes, differ from the orthodox principles of Douglas Social Credit. As, however, he has on more than one occasion expressed his intention, if placed in a position to do so, of calling on Major Douglas, as the foremost living economic expert, to advise him in formulating a Social Credit plan for Alberta, the matter may be left there.

These various types of activity, however successful, may still be dismissed at first sight as of no fundamental importance in view of the limitations of provincial sovereignty. This, however, would be to take considerably too pessimistic a view. Further, Major Douglas suggested in his evidence at Edmonton certain ways in which Provincial Government could bring local political sanctions to bear, although there is no space to describe them here.

#### FOUR SOCIAL CREDIT PARTIES

Secession talk, some of it wild and ill-informed, is also beginning to be heard in the Prairie Provinces and British Columbia as conditions grow worse, and the petition of Western Australia, which is at present before the British Government, has probably done much to encourage it. Responsible comment on this subject was made some months ago by *The Western Producer*, of Saskatoon, which concluded that if the province were ever driven to take such a step, they did not "for a moment believe that Alberta would be acting alone nor would she be lacking in support from many unexpected places." While the question of secession is, of

course not one directly connected with the politics of Social Credit, it is mentioned here as an example of the growing tendency in Western Canada to believe that its economic troubles can best be solved by Western Canadians themselves, and perhaps only by them.

In conclusion, the extraordinary fact remains that the coming elections in Alberta will be fought by at least five separate parties, of which not one can afford to omit support for Social Credit from its programme in varying degrees, even supposing that it wished to do so.

## INDUSTRIAL PROGRESS AND HUMAN RIGHTS

By Very Rev. Hewlett Johnson, D.D., B.Sc., Dean of Canterbury (Eng.).

Man is a born climber. Early in his career he climbed alone, running at a hill as a child runs, thinking to surmount it quickest if he outstrips his comrades.

Soon he learns better. Forsaking his individualism he combines with fellow-climbers, and the peaks fall before him.

Banded with comrades for a common goal, tied to them by a stout rope, he reaches heights impossible to single men. Not even Everest escapes him.

Curiously enough he regains what he deemed was lost. His individualism grows as individualism departs. Not only by virtue of new heights scaled and expansion of mind and vision, but also because he has found in the process freedom to develop his own peculiar gifts, be it knowledge of the weather or the way, or be it the finger grip which, like Whymper's, can travel round a room on the picture rail. Each member of the team receives what others give and gives what others lack.

Not otherwise with other masteries.

Man wins his present ampler sustenance: his food and clothing and habitation, by a similar road. Starting alone, he makes small achievements. In combination his strides lengthen.

At first he hollows his lonely log and paddles across the river from bank to bank; the Channel daunts him.

Today he leaves river and Channel alike behind. He sweeps across oceans on palaces, and cleaves the heavens on giant wings.

All became possible the moment he learned to pool his resources. In the stable society we call Christian—one of whose elements is a growing approximation to real co-operation—he achieved at least sufficient leisure to explore the laws of nature and invent new modes of mastery.

And then, in this more favourable environment, one century handed on its achievement to the next; this had invented the wheel that observes the tremble of a kettle lid and tames to his own use the expansive force of steam. And so, on and on.

Man walked out of his isolation.

Now he invariably works, in his larger operations, as member of a team.

From his hands pour forth-gigantic fruits of association. Together he produces vastly more than the sum of his several individual labours. Machine and harnessed solar power, themselves the products of association, operated by further specialisation, and by a greater pooling of resources, recognise no limits to their productive power.

We see it everywhere if we have the will to look for it. Take random instances.

#### WHAT TEAM WORK HAS DONE

In 1901 a single man produced 1000 letterheads an hour. It was his little miracle, wrought with a machine. Not content with that, he thought more strenuously on his problem; and then steam replaced the kick of his foot, and electricity the flash of his hand, and now one man produces 20,000 letterheads per hour.

Take the brick-making worker. Yesterday, with simple tools, one man, in an eight-hour day, produced 450 bricks. Inventions were busy again. The modern brick-making machine was evolved and the 450 bricks grew to 320,000 for a day's output.

Take the metal worker. The ancient iron in Canterbury Cathedral commands respect. There is little enough of it, and each piece represents the sweat and labour of many men.

The centuries pass, man again plies his co-operative thinking, experimenting and toiling, until iron pours forth for rails, steamships, and tools, in an ever-increasing stream, and with an ever-diminishing demand for human labour. In 1879, 41,695 men produced 3,070,875 tons of pig iron in the United States. In 1929, 24,960 men produced 42,613,983 tons; in the matter of loading two men displace a former twenty-six.

The glass worker, as an individual working in a team today, and aided by a wonderful machine co-operatively fashioned, can produce fifty-four bottles to every single one of yesterday's production.

The girl bank clerk with the automatic reckoner deals with 60,000 ledger entries in an hour, and displaces sixty other clerks.

Three employees with a machine can produce 700,000 cigarettes in a day; they displace 697 men.

Twenty-four men daily carbonize 400 tons of coal, producing 7,000,000 cubic feet of gas instead of forty-four men producing 4,000,000 cubic feet.

The principles at work here are clear enough. They need no further illustration. Association and solar power, and "the progress of the industrial arts" place incredible riches in our hands.

We are now far removed from the isolated worker. Man no longer clothes or feeds himself, hollowing his own log, ploughing his own land, sowing, and reaping his own grain. Man associates with man in invention and operation, and the increment is the increment of association.

Ten men working together with inventive brain and labouring hands produce more than ten men working individually by themselves. That is manifestly true and nonetheless true when the ten become millions and when they include the generations which are gone as well as those which remain.

#### TO WHOM THE INCREASE?

To whom, then, does this increase belong? Surely to the millions present and past and to their dependents today.

Suppose, to make the principle of justice clearer, that we return to our ten men and imagine an increase so vast as the result of association that only two of the ten at length are needed, when the machine is perfected, to operate it and to direct the flow of goods.

To whom, then, would the goods belong? To the two who just came at the end of the process and were lucky enough to be the last undisplaced? Surely not. Surely it will belong to the whole community, which gave it being. And if wages, and good

wages, are paid to those who are lucky enough to be needed as workers at all, whether as organisers, inventors, or operators, the increment which comes by association belongs to the whole community and to no single individual man and to no group of men.

It is, then, out of that increment of association, out of that social heritage, out of that flow of goods due to the "progress of the industrial arts," that we create the fund from which the National Dividend must be derived. Justice demands it. We are a community. We must be treated as a community. We stand or fall together. We inevitably associate in industry if we are to operate at all. The modern order, which we inherit, compels us to work thus or forbear. No other course is possible. Specialisation is here, and is imperative. None can escape it. All are caught in the net, which we have flung so wide and so far.

But when we have been torn from our footing on the soil, when we have been lured into association, and specialised in our tasks, we are left helpless and enslaved unless we are admitted to a fair share in the increment of association which has admittedly accrued.

To supply us with a mere maintenance while robbing us of our skill in individual craftsmen is to play the thief upon us.

#### WHAT MAN HAS LOST BY ASSOCIATION

For when man tilled his own acre, made his own shoes by himself alone, leaving others to sow, to reap, to weave, he remained a craftsman still and earned a wage. He had, however, lost his power to stand-alone. His maintenance, too, was no just recompense for his lack of independence, when we reckon the increased production, which his sacrifice had secured. And the lapse from justice was nonetheless real that he was an unconscious and willing accessory to the fact of

The number of bankruptcies recorded in Australia from July 1929, to the end of 1934 was 15,941.

association and specialisation.

But when at last he makes, not a shoe even, but its twentieth part, he has lost craft and independence alike; and when at further last society produces a machine which makes all the twentieth parts itself without his aid at all, demanding but one here and there to touch a lever or revolve a valve, then we have robbed him of craft, independence, and livelihood alike, unless we admit him to a real share in the incredible abundance which accrues.

Injustice reaches its culminating point. And absurdity, too.

For though millions of boots pour from the manless machines they whistle in vain for wearers.

Injustice and economic folly have stalled the machine.

That is the point we approach today.

And that is the ground of the demand for a National Discount and a National Dividend. In the fact of the real goods available, in the present capacity of the machine if fully employed, and still more in the potentiality of the machine if adequately encouraged, we have the physical basis of the National Discount and the National Dividend.

In the fact of present association, of the social inheritance from the past, and of the "progress of the industrial arts," which are the perquisites of no single man, nor of any group of men, we have their basis from the point of view of justice and equity.

It only remains to see how best it can be done and what control of money and method are needful for the doing.

# THE STORY OF MONEY and Its Management

(Continued from last issue.)

## BANK CREDIT.

Up to the stage, which has been outlined, the banker was purely a trustee. He held your money, and upon presentation of your cheque he paid it out according to your directions. If you wished it, he would give you the note of his bank instead of coins. But the coins were always there to redeem the notes when presented, just as they were there to meet your cheque.

Various bankers, however, in various places now began to make important discoveries. They found that at all times they were holding large stores of unused money, partly representing deposits that were not asked for—the savings of the thrifty or the cash reserves of merchants—partly the moneys necessary to redeem the notes which they themselves had issued in repayment of deposits.

## THE CLEARING HOUSE

With the extension of the use of the cheque—the safest of all forms of transferring money, particularly to a distance—came also what is called the clearinghouse system. By means of this the different bankers met at appointed times at some convenient central place, where they regularly exchanged amongst themselves all those cheques drawn upon any of them which had come into their hands through depositors. Each banker then had merely his balances, instead of his total transactions, to settle in cash.

This system was further elaborated when there grew up in different countries what are known as Central Banks, or bankers' banks—such as the Commonwealth Bank and the Bank of England—where every private banker kept an account in his own name, so that all were enabled to adjust their clearing house transactions, or exchanges, by cheque, without any using of actual cash at all.

## BANKS BEGIN TO LEND.

Having large reserves of unused money, and seeing money required on all sides by those who had ample tangible security, but whose trading operations were hampered by the shortage of currency in the community, the bankers now began to approach their customers, and to suggest that they be allowed to lend out at interest such sums as a depositor knew he would be unlikely to need for some time. Previous to this all deposits with bankers had been what we call current accounts—that is, they were liable to immediate withdrawal upon demand.

The bankers now became money lenders and traders in money, and for the first time we had what are called fixed deposits, whereby some of those who had current accounts agreed to abstain from asking for their money for a definite period, understanding that the banker would lend it at his discretion. In the beginning the lender may have known who was the borrower, but soon, satisfied as to the banker's stability, all he was concerned about was that the banker personally guaranteed the repayment of the money as and when it became due. In return for taking this risk—which was not really a very great risk, since the banker knew the intimate circumstances of the borrower, and generally insisted on ample collateral security—in return for this apparent risk the banker claimed for himself a very handsome share of the interest to be received. Even today you will find that bankers' rates for loans will generally average about double those, which they are prepared to allow on fixed deposits.

That these loans were originally genuine seems evident, but the banker's system of bookkeeping enabled him—possibly by accident—to hit upon a device of which it is hardly possible to overrate the importance. The banker found that he was creating money!

## PRIVATE LOANS AND BANK LOANS.

To understand the peculiarity of bank loans—so-called—as they are made today, it may be well to compare them with a genuine loan made by one who is not a banker.

If you have a thousand pounds to lend, and if you do this personally or through a trustee, this amount can never at the one time appear as more than one thousand pounds of money. Neither can you lend it a second time until it has first been repaid to you.

Supposing that the sum is lying to your credit in your bank account. If you wish to lend it to Brown you must first draw a cheque upon the bank, whereupon your deposit disappears. Brown may pay this into his bank account, in which case it reappears in a new name, but there is still a deposit in the banking system somewhere of one thousand pounds only. And no matter whether Brown in turn lends it to Jones, and Jones to Robinson; no matter whether it be split up into a variety of smaller loans; no matter whether the part or the whole of it be lent, it cannot total more than one thousand pounds of deposits anywhere within the banking system, or divided between the banking system and any of those who may hold part of it in cash.

Consider, on the other hand, what happens when a bank lends this money. Because you agree to abstain from demanding your deposit for a fixed period, the bank now proceeds to lend it to Brown.

Brown draws a cheque upon the bank for one thousand pounds (which does not lessen your bank deposit), and pays it to Jones, who also proceeds to place it in a bank. The bank, which receives this deposit, likewise lends the sum again, and so the merry game continues. In other words, the same sum of money is supposedly lent over and over and over again by means of ledger entries and paper withdrawals, without any repayment having ever taken place, until it ultimately appears at many times its original amount both in bank loans and in bank deposits.

That is to say, since every bank loan results in a similar deposit being created somewhere within the banking system, the banks can go on pretending to lend money which, as legal money, or cash, does not really exist at all, on all of which they draw a handsome rate of interest. There is only one limit to the extent to which provided acceptable borrowers are available, they can do this. But, before discussing that limit, it may be well to illustrate the extent to which the private banks practise this device, which is commonly known today as bank credit, or the creation of credit.

## THE CASH BEHIND BANK DEPOSITS

At the end of 1934 the position of Australian currency was as follows:—

The total amount of Australian notes issued was 50 million pounds, and of various silver and bronze coins about £8 millions, making a total of about £58 millions, which was all the real cash, or legal currency in existence in this country. Of this total of £58 millions, the public had possession, in their pockets and tills, of about £34 millions. The banking system held the remainder, about £24 millions.

Yet the cheque paying banks on the same date showed in their official returns these figures: Current account deposits, £113 millions; fixed deposits, £227 millions; overdrafts, etc., £274 millions. The savings banks on the same date showed deposits of £212 millions.

Whence arose these hundreds of millions of pounds of deposits within the banking system for which, if the cash were demanded, there is no cash in existence? Purely from the action of the private banks in making these fictitious loans, in creating money.

It is idle to assert, as some do, that bank-created credit is not money, in the ordinary sense in which money is used and understood. Bank credit will do anything that other forms of money will do. In fact, a deposit arising from bank credit is identical with any other deposit. It matters not whether you pay in to your account at a bank a deposit in notes, in coin or in cheques. Once any cheques or similar documents have been cleared, all deposits have exactly the same claims to currency; they are, in fact, indistinguishable one from another.

From this emerges the indisputable fact that almost everything, which serves as money in this and every other modern community, is created by the private banks. It comes into existence through the granting of a bank loan, or advance, or discount, or overdraft—call it what you will—and it is extinguished, cancelled, and utterly destroyed when the bank is repaid. For, just as any increase in bank loans creates a corresponding increase in bank deposits, so bank loans can be repaid only by a similar lessening of bank deposits.

## LIMITATION OF BANK CREDIT

In its creation of financial credit a bank has one limitation and one risk. This lies in the right of the depositor to demand legal currency up to the full amount of his recorded deposit. And, as we have just seen, our trading banks—like all banks all over the world—could meet only the merest fraction of such claims, should they be made. How do banks get over this risk?

In the first place, they are guided by experience. And experience shows them that with every succeeding year the proportion of trade which is carried on by means of the legal currency—that is, by notes and coins—becomes a less and less fraction of the whole. Currency, in fact, has become little more than the weekly wages sheet, the till change of trade, and the small change that we carry about in our pockets. Nearly all major payments are now made by cheque, even to the salaries of government officials and of at least the more highly paid members of industrial staffs. This process is naturally encouraged by the banks, since it conserves their stocks of currency—apart from which it is the more sensible way. For a cheque marked "not negotiable" and payable to the order of the person in whose favour it is drawn protects him against loss or robbery. Similarly, if he loses his chequebook he is deprived only of the value of the duty stamps impressed upon it.

In the case of wages paid in cash, these will usually come back to the banking system within a few days, at the utmost. They are either banked directly by those who draw them, or else they are used in paying tradesmen or in some other form of purchasing, in either of which cases they are again banked forthwith.

The banks, again, encourage everyone to have a bank account and, as far as possible, to make all payments by cheque. When you consider the numbers of entries that go through a small shopkeeper's shaky account, which is apparently of no use to a bank, you may wonder why the institution bothers with him at all for the sake of its half-yearly charge of five shillings. As a matter of fact, that charge will often fall far short of the amount paid out to the bank's staff for recording the transactions. But the bank will bear this loss cheerfully enough, because the extent of its real profit—the collecting of interest on money, which it creates itself—is usually bounded by the amount of legal tender it can hold. And the smaller the tradesman, as a rule, the higher the percentage of cash that will be included in his takings. It is this cash, and not his account, which the bank seeks.

## THE FIXED DEPOSIT A DEFERRED CLAIM.

Many a depositor who has had a considerable sum lying in his current account has been struck by the apparent altruism displayed by his bank manager in persuading him to place it on fixed deposit. He has often felt that the banker was acting as his particular friend at the expense of the banking institution. Why pay him interest on a fixed deposit, when he would probably have left his money in current account for an indefinite period without drawing any interest at all?

But the fixed deposit is one of the bank's greatest safeguards, since it definitely defers the claim for currency. By this procedure of allowing interest on fixed deposits—though, naturally, at nothing like the rate charged on overdrafts—it usually happens that about two-thirds of the total bank deposits are deferred claims.

Bank overdrafts are almost invariably repayable upon the bank's immediate demand—as many a debtor has found to his cost during the past few years. At first sight, therefore, it would seem that, since all loans are repayable on demand, all fixed deposits should in consequence receive the same rate of interest as one another, irrespective of the period for which they are lodged. But you must bear in mind that a bank does not really lend its deposits at all; that the deposits are almost entirely the result of its so-called loans. And as the one risk in creating financial credit through bankers' loans—that is, in making new money by ledger entries—is that the ensuing ledger deposits may be demanded in cash, it pays the bank to offer a higher rate of interest in proportion to the length of the breathing space it can secure.

Through the combination of such circumstances as the foregoing, the banks are able to reckon pretty accurately the amount of currency that will be required compared with the total amount of money that they create.

In the immediate past it has been accepted as a safe rule by British and Australian banks that they may issue credit to about ten times their actual holdings of legal tender, provided that they can safely steer about two-thirds of their depositors' moneys into fixed deposits.

Whenever a crisis arises, of course, from whatever reason, the bankers are found out. We had one such crisis in Australia in 1893, resulting in the general crash of our banking system, with ruin to untold numbers of their clients.

In England, amongst other occasions, the outbreak of war in 1914 showed up the bankers' devices. On this occasion the Government saved them by printing national notes, which they made available to the banks to pay claims.

And there have been numerous other instances all over the world.

(To be continued.)

## Douglas Credit

### Women's Movement

You are invited to attend a meeting in the

## ASSEMBLY HALL

156 Collins Street, Melbourne.

### On Tuesday, June 18, at 8 p.m.

The Chair will be taken by Mr. J. T. Hargreaves, M.A., and Addresses will be delivered by Rev. E. Hankinson, Anglican Vicar of North Melbourne; Rev. R. Wilson Macaulay, B.A., ex-Moderator of the Presbyterian Church; and Mr. T. J. Moore, Editor of "The New Times."

The addresses will be devoted to a discussion of our present problems and the logical way to solve them in accordance with the Christian ideals of liberty and security.

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