GAMBING ON THE FRANC.
Page 3.

THE NEW TIMES

TREASURY BILLS OR LOANS?
Page 2.

Vol. 1. No. 3. MELBOURNE, FRIDAY, JUNE 14, 1935. Every Friday, 3d.

The Country Party and Costs

[This is the third article of a series, which began, in the first issue of "The New Times," and in which an endeavour is being made to clear up some of the confused thinking of political partisans, and to show how the policy, "Abolish Poverty and Retain Liberty," may have a chance of being put into execution.]

Behind that good old jaw-breaker, "rural rehabilitation"-one would not dare use such a simple phrase as "putting the farmer on his feet"—lay two main problems. These are prices and markets. The first is admitted to be a financial problem—for the farmer, if not for the people. The second, without the admission, is nevertheless mainly a financial problem also.

Before going into the nature of these problems, it may be well to point out that there is no immediate prospect of their being solved—at least, not in a way satisfactory to the farmer.

From the financial aspect we know that the Australian farmers are now in debt to the tune of some hundreds of millions of pounds. Most of them, it is safe to say, are being "carried" by the banks. And the banks have very recently indicated that they are about to pull the rope still tighter around the farmers' necks. The National Bank, as was pointed out in the *New Times* last week, has just said that "to continue general support to an uneconomic situation would be a blunder." Sir James Elder, the bank's chairman (chairman also of Union Trustees and a director of Goldsbrough, Mort), in discussing the farmers' position, stated the views of his institution with almost brutal frankness. "The situation," he said, "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."*

This merely echoed what was said at the annual meeting of the Bank of Adelaide on May 8, when the chairman, Mr. H. W. Lloyd—who is also, *inter alia*, on the boards of the Adelaide Steamship Co., the South Australian Gas Co., and South Australian Brewing Co.—was still more outspoken. It was inevitable, declared Mr. Lloyd, that the position of many farmers would become untenable, and that

> *they would be obliged to relinquish their holdings to other men without liabilities and with capital of their own.*

The Bank of Adelaide was particularly reluctant to see any efficient man forced off his farm, but it was obvious that there must be a limit to the process of sending good money after bad. It was becoming more generally realised that the sooner the industry was cleared of inefficients and those whose position was hopeless, the better it would be for those credit-worthy and able to help themselves.

> *The tendency to false sentiment and the undue intrusion of politics into what should be governed by common sense were to be deprecated.*

These sentiments, thus tried out in the provinces, as it were, are likely to be echoed by all those other great financial institutions which openly term themselves the Associated Banks, as well as by the other financing corporations which are so closely connected with them in policy and in personnel. So the outlook for the farmer is about as black as his worst enemy would wish.

But, to return to his problems, what are they?

THE PROBLEM OF PRICES

The first problem, that of prices, has long been with him. For years it has been accepted that, except in such abnormal periods as wartime, the farmer cannot in the ordinary way obtain prices for his products that will give him a reasonable recompense. The open market will not give him a return sufficient to recover his costs plus his own wage or profit. And so the farmer has been battling by all sorts of artificial devices to bring about this end.

At the moment one of the principal of these devices, in so far as the exporter is concerned, is what is called the exchange rate, whereby the value of the Australian pound abroad has been arbitrarily fixed at 16/- in terms of sterling. Space does not permit here a full treatment of this, but its benefits to the farmer are problematical. Certainly, in terms of Australian currency, he appears to get a bigger return for what he sells abroad. But on the other hand he has similarly to pay at least proportionately more for everything he uses which is imported, as he likewise has to bear his share of increased taxation to provide our overseas interest.

The main methods, however, by which the farmers have tried to realise satisfactory prices have been the bounty or subsidy, the home consumption price and the special tax on consumers.

Thus during the last financial year we find that the bounty paid on wine for export was £183,000, and the bounty on cotton £87,000. The Wheat Growers Relief Act distributed £3 millions to the States for assistance to wheat growers—nearly half of which was raised by a tax on flour that was passed on to consumers in the price of bread.

In sugar the home price per ton for the year was three times as high as the price per ton realised for the 48 per cent of our crop which was exported.

In butter we now have the Dairy Produce Act of 1933 (proclaimed on May 2, 1934) with its Equalisation Committee, which superseded the voluntary Paterson Plan of the preceding eight years. Under the Paterson Plan a levy on the home price brought in an export bounty of 3d to 4 ½d a pound. Under the new Act the home price will be so controlled as to try and secure a fair all-round price for the producer.

In dried fruits, again, we have the Dried Fruits Export Control Act. Through regulation of sales and fixing of prices we have seen (for the year 1932-33) the average wholesale price of our sultanas at 8 ¼d and of currants at 7¼d, in Australia, as against 4½d (Australian currency) for both in London.

A few weeks ago in Adelaide a dried fruits dealer was charged with having sold more currants than the quota allowed him by the Dried Fruits Board. The prosecutor for the Board said that means had been adopted whereby the bulk of our dried fruits was sent overseas and only a small quota retained in Australia. As a result the market price in Australia was maintained at a considerably higher level than that of the world market. The Australian price for currants was £17 a ton higher.

Now, if the farmer will only consider all these laws and regulations, there is one feature about them that must strike him forcibly. And that feature is this:

Nowhere has there been the slightest attempt to find out whether it is possible for the people in Australia to pay the amount, which has been fixed as the farmer's just price.

The whole business has been carried out in an almost incredibly haphazard, hit-or-miss manner. Because one section of farmers could not realise a payable price, the price was blithely lifted. Because people overseas were not offering a satisfactory figure, the whole burden was shifted on to Australian consumers.

Let us leave it at that for the moment, and deal briefly with the farmer's problem of markets.

THE QUESTION OF MARKETS.

Clearly there are two places to look for markets—at home and abroad. And it is equally clear that there is still an abundance of what are called potential consumers both outside Australia and within it. Abroad there is hardly a country whose people could not do with more of nearly everything we produce, and the same people would very willingly trade for our goods the goods which they themselves are capable of producing—and in most cases goods of a variety which we could very well do with here, over and above what is being turned out already from our mines, farms, and factories.

As far as Australia is concerned, with the exception of wool, and to some extent of wheat, one might almost say that our people could comfortably use, if they were all to be reasonably well fed, clothed, and housed, nearly the whole of our present farm products. Some readers might find it hard to realise that such cases as the following exist in Australia, but this appalling example can be vouched for as having recently happened in this city of Melbourne:

> *In a family rendered destitute through unemployment, a mother of four little children had her fifth baby without doctor or nurse. The poor, unhappy, desperate heroine needed the baby bonus so badly that she would not risk going to a hospital or calling in attention for fear of having to surrender some of the money.*

And with cases by the ten thousand in Australia where destitution is similar, we have the Right Hon. J. A. Lyons (supported by his cricket team of touring experts) devoting such time as may be spared from bankers' dinners and the satisfactory investigation of his pre-Tasmanian ancestry to interviews with his buffoon friend Jimmy Thomas about markets!

Since no one can reasonably deny that our major marketing problem is mainly one of finding people whose obvious needs are backed by money, it must surely then be admitted that this latter question is merely an extension of the farmer's price problem.

Hence, unless our present farmers are to accept the dictum of the banker quoted, and "relinquish their holdings to other men without liabilities and with capital of their own"—who in turn and in due course will likewise move on—it would seem high time for them to pay some intelligent attention to the question of how they can permanently recover their costs.

HOW COSTS HAVE BEEN RECOVERED.

In the past, as has been noted, it has been assumed that if the public do not freely offer the price which the farmer must realise, they can by price legislation or by taxation be forced to do so. But why should this be assumed?

> *The public's capacity to pay depends on their money supply. And, in general, unless every industry distributes to the public through production as much money as it must get back from the public in the prices of its goods, industry will be unable to carry on—unless some other means is adopted of making up this shortage.*

Any farmer knows that he does not normally distribute such an amount of money through his production. It follows, then, that in those years in the past when the farmer has had satisfactory return this shortage must have been made up in some way. How?

In various ways. As an example in the "good" years up to 1929 there was an immense amount of building taking place. A great deal of this building was financed through the banks issuing additional money (their so-called loans or overdrafts). The money issued in this manner was not at once re-called. Thus it was common to see houses sold on a basis of ten per cent deposit, the other ninety per cent, or such part of it as had been disbursed in the process of building, being left in the community to make up, amongst other shortages, the farmer's home price.

Some idea of the increase of the money supply, or, as economist like to call it, expansion of bank credit which was taking place about this time may be gained by comparing the Australian banks' figures published under the heading, "Discounts, overdrafts, and all other assets." Here are comparative figures of averages for June quarters, which speak for themselves:

Year	£ million
1917	123
1920	160
1929	282
1932	260
1934	262

But these advances to private industry are dwarfed by the increase in the national debt, representing chiefly money created by the bank and lent to the nation to finance consumption. Since 1918 Australia's nominal national debt has doubled. Today it is £1250 millions. Of this amount just on £600 millions is due in London and New York, so the equivalent in Australian money of our present debt is about £1400 millions. That is in 1935 money. But £1 in 1935 will entitle its holder to more goods than £1 would buy in 1918. Average over all wholesale commodity prices in Melbourne, the proportion is about 19 now to 14 then,

> *so that the real burden of our public debt has been trebled since 1918.*

Not a penny of that debt was necessary. It was entirely due to there not being sufficient money in the country to enable the farmer to sell his own goods, or alternately to enable the sale of the imports for which the farmer's exports were exchanged. That money should and can be created by the nation. And until it is done in this manner farmers will get payable prices today only at the expense of impoverishment tomorrow. And bankers will continue impudently to assert that "the tendency to false sentiment and the undue intrusion of politics"—which means the pursuit of the common good—"into what should be governed by common sense are to be deprecated."

Next Week's Article:
THE U.A.P. AND SANE FINANCE.

Australia's Great Dailies.

Several weeks ago there began in England a Royal Commission on the arms trade. That commission was forced on an unwilling British Ministry by the overwhelming insistence of public opinion. Have you heard anything about it, or do you regard it as of less importance as a news item than, say, a bankers' dinner to Messrs. Lyons and Menzies?

In order to give you a lead, we are publishing in this issue a great English paper's report of the first public sitting. Admittedly the views (or ignorance) of the Australian public mill have very little influence on the result of the inquiry. But still, is not the public entitled to have reasonably full report both of the evidence tendered and of the conclusions arrived at?

You may remember there was a war some years ago, and it looks as though there will be another war any time now. In the last war quite a number of Australia's newspaper-reading public were shot down (on Gallipoli, for instance) by arms supplied to the enemy by British armament makers.

War is a period of patriotism for some, and of profit for others. And the prospective patriots would surely like you to let them know that even their death at the hands of a foe would bring at least some of the profits back to our good old British arms makers.

THE NEW TIMES

THE PROS AND CONS OF TREASURY BILLS

Treasury bill finance is of its nature merely a method of issuing money to the people by their own departmental bookkeeping. If a Government needs money it presents a Treasury I.O.U. and the Commonwealth Bank at its discretion takes the I.O.U. and issues money against it. The I.O.U. is supposed to be redeemed in three months by a repayment of the money, which is then cancelled.

There is no argument but that the money issued against Treasury bills is new, additional money. Professor Copland, the "Argus," the banks all admit this. It does not follow that this new money is in the form of further notes or coin. It will generally take the form of a bookkeeping credit in a bank ledger—just like the other new money, which the private banks create every time they grant an overdraft or loan.

The original idea of discounting Treasury bills was to tide Governments over those lean months when revenue was scarce — pending the sending out and payment of income tax assessments, for instance. And the word "discounting" is used because, in making funds available against national P.N.s at three months, the bank charged a discount fee, or interest. Some years ago this rate in Australia was six per cent per annum, but it is now down to one and three-quarters per cent. There is no good reason why it should be more than sufficient to cover bookkeeping costs—perhaps the eighth of one per cent.

MAKING TREASURY BILLS PERMANENT.

Governments found during the depression that it was impossible to carry on from year to year out of revenue and that their usual way of obtaining the extra money required—through loans or the creation of new money by the private bankers—was, for the time being, stopped. For the bankers, having decided upon a policy of deflation, or keeping money shorter than usual, were not disposed to create extra money. Our Governments then, by arrangement with the Commonwealth Bank, increased their issue of Treasury bills, which became more or less of a permanent institution, and rapidly mounted from an inconsiderable figure to over £80 millions, of which about £50 millions were held in Australia. The balance, either in the form of Treasury bills or in similar short-dated debentures, was in London. This comprises what we humorously call our floating or short-term debt.

CONTROL OVER MONEY SUPPLY.

Were it not for the control exercised by the Commonwealth Bank, the Treasury bill system of finance would definitely present the menace of what is called political control over the amount of money in the community. A dreaded Labor Ministry could expand the money supply at will, thus threatening bondholders and all sorts of other deserving people, while a Nationalist Ministry could restrict the money supply again until the worker learnt to behave himself with becoming humility. In either case we should certainly have abuses, for it must not be forgotten that those in comfortable circumstances have their rights, just as have those in destitute circumstances.

And if all sections of the community are to be treated justly, the essentials of the money supply are that it should always balance the supply of goods on the market — which is a matter, not for party politicians, nor even for bankers, but for statisticians.

However, we were saved from any fear of inflation by the stranglehold over politicians of the Commonwealth Bank, and of those private banks with which it now works in such delightful harmony, and from whose boards the latest tendency appears to be that it must draw its members (as witness the recent appointment of Mr. A. F. Bell, of the National Bank Board, to a similar position in the Commonwealth Bank).

> **"There are thousands of people in Melbourne without clothing and without food, without blankets and without all sorts of necessities."**
>
> —Alderman Deveney at meeting of Melbourne City Council on June 7.
>
> **Upon the conclusion of the meeting a luncheon was given in the main hall to 400 representative citizens.**

WHY DO PRIVATE BANKS HOLD TREASURY BILLS?

An instance of these harmonious workings is the peddling out to the private banks of those Treasury bills or national I.O.U.'s, which should certainly be retained in their entirety by the Commonwealth Bank.

Just why the Commonwealth Bank is unable to hold the people's paper as a security against its own creation of money for the people is a mystery of high finance, which has never yet been explained to the satisfaction of the public.

However, there it is. The fact remains that a high proportion of our Treasury bills issued locally find their way into the hands of the private bankers.

A very important result follows from this. It is that

the private banks are thus enabled to increase enormously, if they wish, their holdings of legal tender.

For on presenting back our I.O.U.'s to the Commonwealth Bank, this institution must give the private bankers Commonwealth currency in exchange. By this means the bankers have been enabled to more than double their cash reserves, and to receive interest on the increase.

And as the only effective limit to the private banker's power to create new, interest-bearing money by way of his so-called loans is the fear that depositors will demand cash, the capacity of the banker to profit in this direction has thus been doubled.

Why, then, does it happen that, despite the almost plaintive pleadings of Professor Copland for months past, it is now indicated that the policy of Treasury bill financing is not to be extended any further? That raises another issue.

LEAVING THE FIELD TO THE PRIVATE BANKER.

It must be remembered that the power to create or destroy money, and so to rule our very lives, is wrapped up in the granting or calling in of bank overdrafts. As the bank overdraft does not lessen anybody's bank deposit, but in turn creates a new deposit, every extension of overdrafts means a corresponding addition to the community's money supply. Similarly, the lessening of overdrafts must be preceded by a lowering of the people's cash in hand or their bank deposits.

This enormous power is now vested almost entirely in the private bankers, for, as Sir E. C. Riddle, Governor of the Commonwealth Bank, explained in great detail in London some three years ago:

"While the Bank still carries on general banking business, this side of the business is not actively pushed. The Bank's policy is not to take advance business from the trading banks."

But, stepping aside from control of the money supply through this disinclination to take advance business from the trading banks, the Commonwealth Bank stepped into it again, though to a lesser extent, by issuing money against Treasury bills. Even this small barricade, it appears, is now to be demolished, and the private banks will once again reign supreme upon the money throne.

The Commonwealth will seek its finance upon the "open" market. That open — or secret? — market has indicated that the interest toll must again begin to climb, for the rate of this new loan is higher than the last, and twice as high as the prevailing rate on Treasury bills.

So, with the abandonment of any further extension of Treasury bill finance, it is to be hoped the people will rapidly forget that it is possible for their money to issue otherwise than through the orthodox source, or at other than the orthodox rate of interest.

Direct Action

Premier Pattullo, of British Columbia, wished to send a letter of congratulation and a gift from his people to the King for his silver jubilee. The decision having been made about the middle of April, it was found that in accordance with "democratic" practice the British Columbians were too late. For the official procedure prescribed that the communication should go from the Cabinet to the Lieutenant Governor to the Provincial Secretary to the Canadian Secretary of State to the British Secretary of State for the Dominions, and thence to the King. This would take so long that the letter and gift would not reach his Majesty until after the jubilee celebrations were over.

It reminds one somewhat of our channels for feeding the unemployed.

British Columbia overcame its difficulty by sending its message direct — a point that might be commended for consideration to other communities.

BRITISH STATESMAN DENOUNCES ARMS FIRMS

Lord Cecil's Evidence Before English Royal Commission

As the Australian press, strangely enough, appears to find the British Royal Commission on the Private Manufacture of and Trading in Arms as no more important a news item than the U.S. Senate Inquiry of last year, the following account, taken from the "Manchester Guardian Weekly" of May 3, may be of some interest to our readers.

The Commission (says the "Guardian") held its first public sitting on May 1 under the chairmanship of Sir John Eldon Bankes. The other members of the Commission are Sir Thomas Allen, Dame Rachael Crowdy, Sir Philip Gibbs, Professor H. C. Gutteridge, Sir Kenneth Lee, and Mr. J. A. Spender.

TERMS OF REFERENCE

The terms of reference are divided under three heads: —

(1) Whether a State monopoly in the manufacture of arms should be substituted for private monopoly, either in the United Kingdom alone or in agreement with other countries;

(2) Whether there should be eliminated from the system of private manufacture the objections to that system stated in article 8, paragraph 5, of the Covenant of the League of Nations;

(3) Whether our own system of controlling the export of arms can be improved.

The proceedings are being held in the large sessions court of the Middlesex Guildhall, facing Westminster Abbey.

The Chairman said at the outset that he noticed that in some of the evidence, which witnesses intended to lay before the Commission it was proposed to give the names of persons or of companies as having been guilty of conduct deserving of censure without attempting to give evidence in respect to these allegations. In the case of individuals and firms resident and carrying on business abroad, and transactions abroad, it was clearly not practicable for the Commission to carry out any investigation of such allegations.

> **MORE RESTRICTION ON RAW MATERIAL**
>
> **Significance attaches to the interest of Sir Maurice Hankey, Secretary of the Committee of Imperial Defence, and of the French General Staff. Both English and French military authorities have found that recent army recruits have been under-nourished.**
>
> —"Herald" cable, June 7.

The Commission would not decline to allow witnesses to cite cases in this category that had been the subject of public allegations or reports, but would exercise their discretion as to the relevancy of such allegations. In the case of allegations against firms and individuals in this country and where they were in a position to make investigation, the Commission would receive particulars and would make inquiry into them if they considered them relevant to the inquiry. This, he added, did not limit or affect the general inquiry, which the Commission proposed to make into the question of the manufacture and trade in arms.

LORD CECIL'S STATEMENT.

The first witness on Wednesday was Lord Cecil of Chelwood, who had presented a short printed précis of the evidence to be tendered on behalf of the League of Nations Union. "The union's experience," he said, "goes to prove that public opinion is deeply moved, not by any particular instance of this commerce, but by distrust of the system by which profit is derived from making and selling armaments, and is increased by every deterioration in international relations.

"This is no small matter.

"The armament industry is a powerful and important industry, exercising a great deal of influence in a number of countries throughout the world."

AN INTERNATIONAL TRADE.

Quoting from documents illustrating the international connections of British firms cited in the record of the United States Senate investigation in September 1934, he referred in particular to a statement of royalties received by the Electric Boat Company from Vickers Ltd., and firms licensed by Vickers in Japan, Holland, Australia, Spain, etc. Apart from these were a number of firms on the Continent and in America, and he added that

these firms had a number of international agreements with one another regulating prices.

It was not open to doubt that wherever they had a tension in international affairs the value of the shares of armament firms went up. On this point he read a quotation from the "Manchester Guardian" of March 18 following the announcement of the adoption of conscription by Germany.

It followed obviously that a reduction of armaments must diminish the profits of armament firms.

FIRMS OPPOSE ARMS REDUCTION.

There was a suspicion that some armament manufacturers had in practice been creating anxiety on this subject, and Lord Cecil on this point quoted a statement by the chairman of Vickers in 1932 that

reduction in armaments under the influence of public opinion had affected adversely the company's trading results.

He thought there could be no doubt at all that the present system tended to hamper actual "efforts for peace. There could be little doubt that the whole influence of the armament industry was in favour of continuing the supply of arms to China and Japan. There had been cases— how many he could not say—in which active steps had been taken by the great armament interests to prevent the conclusion of disarmament negotiations, among the most striking being the activities of Mr. Shearer in 1927.

"There is no doubt," added Lord Cecil, "that armament firms naturally use whatever influence they possess to prevent any steps which interfere with the success of their trade."

Summing up Lord Cecil said that a considerable section of the members of the League of Nations Union were of opinion that the most effective remedy for the present state of things would be to make the manufacture and sale of armaments a State monopoly. Others were opposed to a State monopoly, and believed it possible to establish effective control of the industry. They all believed that without limitation of armaments by international agreement neither remedy would be completely successful. They were further of opinion that any remedy should be international in character, applied by international agreement. All would desire agreement with the United States, and as a first step the adoption and ratification of measures not less effective than those, which the American Government had recently proposed.

PROSPERITY REGAINED

A Dissertation on Eating and Working

By D. IZZIE.

Marvellous, isn't it, how we al-ways seem to overlook the obvious? Take gravity for instance. Everybody knew that apples and things always fell down, but it wasn't till Newton was hit on the head by a windfall that he made the discovery that an apple always falls because it is heavy. Quite simple, quite obvious, but no one worried about it —nor do they now, when the matter is definitely fixed by natural law.

A similar case has been revealed to us by the *Herald* only a week ago. Sir Frederick Stewart, Sydney's well known 'bus proprietor, has found out that the world has too much food. Everybody knew that, too; but, of course, everybody missed the obvious solution. People will keep on growing food, and now Sir Fred has made the discovery that we should get busy and eat it. Truly, it takes genius to discover the obvious. Here we've been trying for four or five years to fix things up by persuading people not to grow food, but they would persist in spite of us. Sir Fred gives us the correct solution in a flash of intuition. "Let these people grow all the food they like," he says, "and we'll eat it." Surely he deserves an increase in his title or at least a spare jubilee medal. Prosperity has been lurking round the corner for far too long, and has a will-o'-the-wispish habit of retreating round the next one just as we stagger round the first. As usual, we've done the wrong thing in chasing her. Now we have a plan whereby the corners and the barriers forming them "can be removed. It seems that these barriers, and hence the corners, are made of food, and so if we lay our ears back and eat 'em all up Prosperity will have nothing to hide behind, and there she is, straight ahead.

CALCULATIONS FOR EXPERTS.

Mr. Lyons and the League of Nations are both reported as being interested. The British Government, however, is giving another lead to the world, for it has got busy and appointed a committee of experts to investigate the matter. Presumably, the experts' job will be to find out the cubic capacity of the average human stomach, and then calculate how many times per day it must be filled to enable the owner to consume his share of the available food. This, of course, will vary with age, but tables could be prepared, taking into account the well-known elastic properties of the youthful organ. The committee would also have to find out the proportion of dyspeptics in the community so that our requisites of bismuth powder may be calculated and provided in advance (another new industry).

The personnel of this committee are not yet known. A suitable one for Australia would be Mr. E. T. McPhee, Mr. Eric Welch and Professor Copland. These gentlemen, authorities on figures, form and inflation could quite easily plan our local efforts.

When we come to consider the matter we realise that this great discovery was nearly made right here in Melbourne some few years ago. Our own M r. Clapp has been urging us to eat more fruit and more of this and that. But he missed the little spark of genius. Had he but had the wit to paste a slogan on every station asking us to eat more of *everything*, then he would have been the saviour, and Sir Fred would have remained unknown to us. Still, the honour has gone to Sydney, and now all that remains is for us to put it into operation.

TEACHERS CAUSE TROUBLE.

There are several quite local dif-ficulties for us to overcome. For example, hunger has been abolished from our State schools—or at least so the *Herald* tells us. Milk and teachers' lunches have done the job there before this great discovery was made. This illustrates how a small thing can upset a worldwide plan. Here at one fell swoop we have lost thousands of young, active stomachs with a maximum stretch, and we are left with only a few poor outworn paunches of philanthropic teachers. Un-coordinated effort once more endangers long range na-tional planning.

However, there still remain you and I and the unemployed. The unemployed present a special prob-lem, and deserve a chapter to them-selves; so, without wishing to be rude, we'll take ourselves first. If we happen to be members of that fortunate 10 per cent who receive more than £5 a week, what is our position? It is quite likely that we will not care to do our duty to the nation by eating more. Yet it is our duty to do so, just the same as everyone else. So we must sacrifice ourselves to the public weal and, if necessary, increase our consumption, not only of food, but also of bismuth and ipecacuanha. The Romans did it. Let us go and do likewise.

THE QUESTION OF THE UNEMPLOYED

As I have already said, the un-employed present a special problem. It is freely admitted that their capacity to eat is not fully exercised —not, be it noted, through any un-patriotic motives, but merely be-cause they are unemployed. It is generally known that food must be bought, and so money must be earned. Of course, it is possible that at some distant date another titled genius may discover that it is not absolutely necessary that work must be the prelude to dinner. We know that nature abhors a vacuum, and this genius may say that the food available could be used to fill the vacuum beneath the belt of the worker who has his work done for him by a machine. However, this is purely a flight of fancy, and our problem must be faced in a prac-tical manner.

This we may be certain of: There is an abundance of food, the un-employed could probably eat it—and so they must be given work to earn the money which we have borrowed from the banks to pay them with, then they can buy the fund and eat it and we'll be left with national debts but free from the embarrassment of too much food. That seems a complicated sentence, but we live under a com-plicated system, and the answer to this problem is not to be found in the first two phrases. This thing must be settled in accordance with international practice and well-founded economic laws.

METROPOLITAN BOARD SHOWS HOW.

I myself have had a brainwave. Who knows but that I, unknown and inconspicuous, have fallen upon the obvious solution; that I will save my country by discovering that which is right under our noses, and so become a Sir, like Newton and Fred, and go down to history as one of the world's great men?

Once again Victoria has given the germ of the idea. The Metro-politan Board of Works has for some months been raising cows and then selling them to be boiled down for fowls' feed and fertiliser. This may seem a wicked waste of good food to some people, and the Board has had to defend itself against this charge by carefully explaining that the cows have had mumps, or measles, or something. Anyway, they were not contented cows, and so could not give good milk.

The whole point is that this affair has been too local. Extend this process and put it on a nation-wide basis and our troubles are over. Let all farmers raise cows to be con-verted into fowls' food and fertili-ser. Use the fertiliser to grow more wheat. Feed the wheat to the cows and fowls, and then boil up both the cows and fowls for the second cycle of production, and so on ad infinitum. This automatically solves the problem of over-produc-tion—it definitely gets rid of the surplus food.

A critic with more than the usual amount of sense might claim that there is a flaw in the plan, and that there will be an ever-increasing production of cows, wheat, fowls and fertiliser. Here is where the genius of the scheme really comes in. Think of the unemployed and the work to be done. They will gradually be absorbed into this new industry. Some will be converting cows into a mixture of Bovril and Nestlé's milk, whilst others will be coating each grain of wheat with the concentrated cow before handing it over to the farmer for planting. As they are absorbed they will buy and eat the increase of production in each period. When we have reached the point where all the un-employed are re-employed, stabili-sation will occur and the process will operate automatically for ever.

GAMBLING ON THE FRANC.

And Where Does Capital Fly?

A correspondent who is some-what puzzled at the world disturb-ance over gambling on the franc and the wild rushes of capital hither and thither asks for some notes of explanation.

The facts behind the newspaper chatter can hardly be expressed bet-ter than in the words of Mr. Regi-nald McKenna, chairman of the Midland Bank, London, the largest of its kind in the British Common-wealth of Nations.

WHAT MR. McKENNA SAYS.

Addressing the shareholders of the bank on January 25, 1924, Mr. McKenna said:

"People often talk of money go-ing abroad or of foreign money coming here, but, as a fact, when gold is not in use money is incap-able of migration. The title to money may change. Any individual may sell his sterling to an Ameri-can for dollars, but the American will then own the sterling in Eng-land and the Englishman dollars in the United States.

"If there is pressure to sell sterl-ing the exchange value of the pound will be lowered, and temporarily the burden of British payments in America will be increased. But the change of ownership does not remove the money, which neces-sarily remains and can only be ex-pended where it was created.

"No exchange transaction, no purchase or sale of securi-ties, no import of foreign goods or export of our own can take money out of the country or bring it here.

> **15 MILLION UNDERFED IN BRITAIN.**
>
> **It is estimated that 30 per cent. of Britain's population, approxi-mately 15 millions, are underfed.**
>
> —"Herald" cable, June 7.

"Those who wish to be meticulous may say that British travellers sometimes carry currency notes and change them in foreign countries, but the total of such transactions is too trifling to be taken into account.

"Bank loans and their repay-ment, bank purchases and sales are in substance the sole causes of variation in the amount of our money . . .

"The amount of money in exist-ence varies only with the action of the banks in increasing or diminish-ing deposits. We know how this is effected.

"Every bank loan and every bank purchase of securi-ties creates a deposit, and every repayment of a bank loan and every bank sale de-stroys one."

THE RUN ON THE BANK

In a country like France, which still flies the Jolly Roger called the Gold Standard, it is possible to take your francs to the bank and ex-change them for gold, or to claim gold for your bank deposit. In this way, we learn, a considerable sum of gold has actually either left France or been put back into the ground in French orchards and such places. But where gold leaves France it does so as bullion, as a commodity, like pig iron or wheat.

If there is a sufficiently sustained run on gold, then the banks either shut up till the people's Government steps in to help them out (which is what we mean when we say that the banks save the nation in a crisis) or else the banker's Gold Standard comes fluttering down from the masthead, as happened in England in 1931 and several times before. Then you can't get gold for notes any more, and the notes are just as good as ever—and so are the enormous deposits of their own fountain-pen currency which these saviours of the nation build up by pretending to lend (at in-terest) the money which Mr. Mc-Kenna, like every other banker who is not a cheat or a fool, can-didly admits they manufacture.

IMPORTING CAPITAL

Mr. McKenna's statement above also explodes the old pretence that we can import financial capital—say, for developing our mines. The only way such capital can come into Australia is by an oversea person securing a bank deposit in Australia.

Dealing with England, this can happen either by an Australian de-positor desiring a similar transfer to England, or, more usually, by the sale of English goods in Australia, the seller accepting his payment in our own currency in this country. As a simple illustration, an English corporation, which makes mining machinery may sell its goods to an Australian mining company, take payment in Australian money, and invest the proceeds in scrip. It will then happen that the Australian workers will be wood and water joeys, while the profits will go to the overseas corporation. One will naturally ask, why not make the machines ourselves (in which case the Australian engineers and operatives should be able to own a large share of the mine) or take them in exchange for, say, some of our wool (in which case the farmer would have a chance)? But that, like "confidence," is too delicate a question to be discussed here.

TRANSFERRING CAPITAL WITHIN A COUNTRY.

It is, of course, within the limits of the one currency, possible to shift capital about wherever you like — provided you have it. Suppose, for example, that Mr. Lang is misbehaving himself in Sydney. What more simple than for a number of great insurance companies to remove the balances representing, largely, moneys they have collected from industrial supporters of Mr. Lang? They have merely to draw cheques on their Sydney accounts, pay them into their Melbourne accounts, and the Langite, terrified at the newspaper talk of capital leaving New South Wales for Victoria, is, for fear of his job, constrained to vote against his convictions. (It is not for a moment suggested that such a thing has ever happened—but it could happen in a moment were insurance companies or similar institutions so minded).

GAMBLING IN CURRENCY.

To return to the currency gambles. These are similar to any of those other forms of stock ex-change transactions so popular with the good people who denounce the demoralising effects of the race-course. Take mining again. If you think you have the inside in-formation that the mine is petering out, or that the golden glow was only a sunset reflection, you at once get your broker to sell forward, as it is called. That is, you undertake to give delivery of whatever number of shares you may dispose of (and of which you don't possess a single one) in, say, six weeks. Meantime, when the shares have dropped in price, you will be able to buy what you have already sold, only at a much lower figure. Or, on the other hand, under opposite conditions, you buy forward.

Generally, of course, you will lose, whichever you do. And it will serve you right, because business of this kind, which is purely and simply the endeavour to take advantage of another's ignorance is just plain thievery—unless you are in the game professionally, when it becomes like a race where all the horses are owned by the bookies.

This is the sort of thing that happens when the big internationals get busy with a country's currency. Then they have a wonderful time trying to outpoint each other in their menagerie, playing "bears" (which pull you down and squeeze you) and "bulls" (which toss you up on their horns) to their hearts' content. In the end the people that are tossed (or squeezed) get the worst of it, naturally.

THE NEW SOUTH WALES CASE

In a small way we had an ex-ample of this not so long since in New South Wales. It was not an international, nor even a national affair. But a great deal of inspired propaganda was put out, character-ised at the time by Sir Robert Gibson as

"the foolish statements of those who should have known better, and the statements of those who desired to bring about disaster."

These statements led a great many unfortunate people to believe that money in the New South Wales State Savings Bank was not to be compared with money in any other bank in New South Wales. We all know what happened. In the resultant panic the bank was temporarily closed, and pounds deposited in the State Savings Bank were on offer at as low as twelve shillings of any other bank's money. At that stage, of course, the shrewd ones bought in and shortly afterwards got twenty shillings for their twelve.

Somebody made a profit, but a million depositors suffered needless anxiety, and an unknown number financial loss.

Extend the operation to a na-tional scale, get the international financiers to work, persuade the terrified people that their money is shaky—and the field is white for the harvest. People sell their francs at a discount to anyone who has a deposit in, say, sterling in England, or dollars in America. Capital "flies." And all the time the big operators are buying francs cheaply, driving the price down and down, making contracts to buy forward at a still cheaper rate. Then mysteriously the crisis passes, "confidence" is restored, and the capital, which flew away, flies home again. The Frenchman, who doesn't really want dollars in New York at all, buys back his francs for a higher price than what he sold them for, or more likely surrenders his dollars for less francs than he paid for them. And all is again quiet on the Western front, while the field of operations moves on.

THE CURE.

How stop it, do you say?

Money fears generally arise from a shortage of money. Either the people are persuaded that a financially bankrupt administration is going to "confiscate their savings" in some mysterious manner, or else that, in desperation, it will print "bales of notes." Fear gives way to panic, and anything may happen.

But let the people understand that money is not wealth of itself, but merely a claim to wealth in the form either of goods or of services, and that the supplies of the claims and of the realities are statistically regulated to match each other, and you will no more be able to start a money panic than you would an inch panic if you suggested that they should change from yards to metres.

One of our troubles is that people today have hard work to think for themselves; there are powers which go to great lengths to keep us from independence—"Manchester Guardian," May 3.

The New Times

Published every Friday by New Times Pty. Ltd., Elizabeth House, Elizabeth and Little Collins Sts., Melbourne, C.1. Postal Address: Box 1226, G.P.O. Melbourne.

Telephone: M 5384.

Vol. 1. No. 3.
FRIDAY, JUNE 14, 1935.

Mr. Casey Asks Us to Destroy Our Money

On Monday night the Acting Federal Treasurer, Mr. R. G. Casey, made a dramatic wireless appeal to the small investors of Australia to pool their resources and keep the depression on the run. Into the details of Mr. Casey's canvass for the new loan it is not proposed to enter here, for to take up his comical views in their entirety would require very lengthy comment.

One aspect of his appeal, however, may be singled out as showing the extraordinary ignorance (if it is ignorance) of the financial system displayed by our Ministers nearly every time they speak about money matters.

"It is a national duty," said Mr. Casey, "to subscribe to the loan." After explaining that part of its proceeds would be devoted to public works, he went on to say: "Portion will be devoted to the adjustment of the debts of primary producers — debts which were contracted when prices of rural products were high, but which have become insupportable when prices are low."

Whether prices are high or low, as even Mr. Casey will doubtless admit, at present depends mainly upon the amount of money in the hands of the buying public. If prices are low today then we must also assume that the public is short in its money supply. And how does Mr. Casey propose to remedy this?

Those who still have savings are asked to lend them, through the Government, to the farmers to "adjust" their debts. The debts of the farmers may be classified under two heads — their overdrafts due to banks, and their trading accounts.

If a farmer is to "adjust" his debt to a bank, what will happen? He will pay into his account a cheque from the Government, itself the proceeds of a cheque, which Mr. Casey wants the small investor to draw. Call the amount £100. The final result will be that the farmer will owe the bank £100 less, *through the destruction of* £100 *formerly held by the small investor.* So the net result of this assistance to the farmer is that, for every £1 of assistance given, the community is left with £1 less of money.

Where the farmer uses the loan proceeds to pay trading accounts, the same thing will probably happen, only in this case it is the trader's overdraft that will be lessened.

Putting Mr. Casey's ideas in their sequence, then, we achieve this result:

1. The farmer's debts are insupportable because prices are low.

2. The public (which alone can give him payable prices, this depending on the amount of money in the public's possession) must come to his assistance.

3. This is to be done by the public handing over whatever spare money some of them may still have.

4. Reduction of the farmer's debts will take place by destroying still more money, £ for £.

The conclusion Mr. Casey draws from this is that such a procedure will keep the depression on the run!

Railway Finance

Gradually the people begin to awaken to the way finance has cheated them at every turn, A week ago the secretary of the Victorian Railways Union reminded the public that the departmental profit last year was £3 millions. The interest charge, however, being about £3 ½ millions, the railways showed a financial loss.

As was also pointed out, had the system been capitalised on the lines of a private company, with the finance provided by shareholders, the railways would have been able to pay dividends all along.

The railways are a national asset, nationally owned. Every citizen is a shareholder. At the time they were constructed the finance should have been provided by the shareholders—not through individual contributions, but by a national issue of new money sufficient to pay for the financial cost of the new asset. This extra money would of course have been an increased debt of the people, since all money is a debt by the nation to whoever may happen to hold it.

Actually the railways were financed mainly by new money, but it was money issued by the bankers. The only difference is that the bankers have always claimed—and thus far succeeded in upholding their claim — that their money should carry a regular toll of interest, whereas money issued by the nation is interest free.

Had we built our railways in this manner, with money bearing no interest, we would consistently have shown big profits. These profits could either have been used to pay a national dividend to the owners (instead of to the bankers and their nominees), or to reduce freights and fares, or to pay better wages and salaries to the staffs, or to keep our tracks and rolling stock in better condition—or something of each. And as the railways actually depreciated, corresponding sums could have been set aside each year out of the profits and cancelled, so that at all times the people's money debt in respect of their railways would have been no more than the actual financial value of their enterprise.

As it is, our railways have depreciated rapidly of late years. We are told that something like £30 millions is overdue to be written off their financial value. But if we do write this sum off, where will the people stand? They will merely have transferred the debit from a department to their consolidated debt, without freeing themselves of a penny of the debt itself. Ultimately, under physical laws, the railways will depreciate to nothing—some lines have done it long ago. But even when they all reach this stage, as things are at present, we shall still have the debt—and the interest bill.

The Eat-More-Food Idiocy

A weary world is becoming used to the inanities of the so-called experts who are developing the habit of dodging their responsibilities by Hurling in international conference. But for downright idiocy it is hard to imagine anything the equal of the movement begun at Geneva this week, on the motion of Australia's representative, to persuade the world to eat more. The experts, we are told, believe there is a real possibility that higher food consumption will ease, and possibly cure the problem of over-supply of foodstuffs. Mr. Lyons, needless to say, is reported to be closely interested. He would be.

The extraordinary thing about Geneva is that, constituted the home of conferences to compare notes from all over the world, it has not yet, apparently, been able to co-ordinate the results of its own inquiries. Had it done so we might have been spared this new foolishness. For Geneva has just made available its periodic bulletin showing that tens of millions of breadwinners and their dependents, not being required in wage-paying industries, are destitute and unable to buy food.

Taking into consideration those who are still in employment, but who have to subsist on an insufficient wage, it is safe to say that there are literally hundreds of millions of people in the world who are not getting enough nourishing food.

But why discuss these things among nutrition experts and distinguished professors at Geneva? The problem is purely and simply one of insufficient money. And the Geneva people can do nothing to cure that so long as their neighbours, the international bankers, sit supreme at Basle.

RESULTS

By A.R.

Gregor Mendel, an Augustinian monk, the founder of the modern science of heredity, read his famous paper on the results of his experiments before a scientific society at Brunn in 1865. It lay in the archives for thirty-five years, forgotten by the world, which gave it no welcome. Then it was "rediscovered," and the world rang with praise for the famous experimenter; but in the meantime Mendel had died broken-hearted.

Pasteur, a French chemist, gave the deathblow to the theory of "spontaneous generation," eradicated silkworm disease from France, and rendered modern surgery possible. To Pasteur, Lord Lister, the great English surgeon, said: "There does not exist in the entire world an individual to whom the medical sciences owe more than they do to you." An estimate of his economic worth may be gathered from the saying of Huxley: "Pasteur's discoveries suffice, of themselves, to cover the war indemnity of five milliards of francs paid by France to Germany." This wonderful man fought and conquered the fiercest opposition, and once wrote: "Oh, if I only were rich, a millionaire, I would say to you, 'Come, we will transform the world with our discoveries.'"

John Thompson, a Yorkshire mechanic of but slight education competed for the Admiralty prize of £20,000 for the most reliable timepiece. His watch was the result of forty years' patient toil. On the return from a trial cruise a point of land was sighted and the master of the vessel, relying on older methods, thought he identified it as the Start. Thompson insisted it was the Lizard. Thompson was right, and his painstaking effort was rewarded.

Charles Parsons could not obtain official recognition of his now famous turbine engine. In 1897 he took his boat, "Turbina," to the Queen's Jubilee Review of that year at Spithead and sailed her into the prohibited zone. A picket boat was dispatched to arrest him. The "Turbina" eluded pursuit and turbines were inquired into, and finally fitted to the giant ironclads of Her Majesty's navy.

In each and all of the above cases recognition was refused until results smashed through and justified the claims made. This is as it should be. But is it always so? Is it so in the financial sphere?

Newton sat in his garden and watched an apple fall. He pondered and experimented, and as a result the world was enriched by the theory of gravitation.

Dr. Schacht and Bank of England Montague Norman sat in the Black Forest in springtime and probably watched the plums fall. To what extent has the world been improved? We don't know. The famous formula of "Never discuss, never explain," keeps us in wondering silence, but we may surmise it was something of a telescopic nature enabling us to look round the corner and see the hindquarters of Prosperity turning into the next street.

WHOM DO WE HOOT?

By "SWEATER."

As the finishing post was reached yesterday spectators in all parts of the course took part in a demonstration of indignation that is said to have been unprecedented at Flemington. —"The Herald," June 4.

Lest I be misunderstood, I am not, in what follows, referring to the case instanced in the *Herald*, as the particular owner in that case has since made no bones about revealing his identity. But there seems to be a growing practice everywhere of conducting business (sporting and otherwise) under a pseudonym.

The public makes their "demonstration of indignation" (there is a classical example of restrained English for you), the stewards hold an inquiry, and the bare announcement comes forth that "No action has been taken."

Action against whom?

Hush! The public must not know.

Poor old public. They provide the money for the magnificent course, for the wonderful grandstands and the bookies' ring and members' reserve and committee room and stewards' deliberating quarters. They provide the rich stakes to be raced for. And incidentally they provide the pool out of which—less the bookmaker's and tax gatherer's dippings — are extracted all those spectacular winning wagers so temptingly recorded by our sporting writers. But the public must not be told.

Somebody wins — or loses — a race. Somebody inquires why. And all that is communicated to those who pay the piper is that "Mr. X's" bets were in order, or something of the sort.

Why all this false modesty? Why this desire for a shrinking violet anonymity which is rapidly pervading all our public and private relationships? Is it a part of that policy of centralised nameless power that is ruling us whithersoever we turn?

Like the priority of the chicken and the egg, it would be interesting to know whether the reticences of anonymous sporting owners have been borrowed from or whether they have been copied by the almost royal incognitos affected in the realm of finance. The racing public, anxious to give their demonstration of indignation a name, are presented with a problem like a charade or an obstinate artist competition. Mr. Montagu Norman chief man of the Bank of England, travels abroad as Professor Skinner — though, to do Mr. Norman justice, his alias does give us a red hot clue. But, whoever thought of it first, why must we have all this secrecy?

Have you ever seen a Lloyd's policy?

That is a proper, gentlemanly, honest sort of a document. You pay your money for, say, a motorcar policy, and you know at once where you are. Lloyd's give you a statement setting out the terms and conditions. Everyone knows that the risks of insurance policies are farmed out, but Lloyd's leave you in no uncertainty as to who are the responsible parties or underwriters. On your document you may find nearly three hundred names of the men who guarantee that your just claims will be met. And there is nothing indefinite about their undertaking, either. One makes himself responsible for one-fifteenth of eight-ninths of three and one-third per cent; another for thirteen-one hundred and sixty fourths of one hundred and five per cent of forty-one and two-thirds per cent, and so on. You know precisely how you stand. There is no Professor Skinner or Mr. Nemo about that.

This week we unfortunate Australians are plunging ourselves into another twelve and a half millions of national debt. From that debt, as we know well, under the present money regime we shall never unburden ourselves of a penny. What we are doing is signing an undertaking to pay a further half-a-million of taxation, more or less, in perpetuity. Very well—but to whom?

The bankers tell us that it is largely to widows, orphans and retired clergymen. But we may be permitted a little scepticism on the subject when even the *Argus*—whose word is accepted in some circles with almost as much reverence as a banker's—suggests that loan moneys are largely provided from the banking system itself.

At all events, the point could quite easily be cleared up, and a lot of needless disputation avoided. The servants of the people, the politicians and civil officials, have the list of subscribers, as they have the lists of all previous loans. Why should not these lists be made available to those who have the responsibility for the debt and the everlasting taxation to pay the interest toll? Even the Hebrew pawnbroker, while giving the debtor the consideration of a sort of confessional for privacy, will not mask his face when making you a loan. Why should the widow, the orphan or the retired clergyman do so — or even the banker? Is there a fear lest we may discover that we are not being lent existing money at all, but that someone is acting as a coiner, not merely of ordinary counterfeit, but of counterfeit that bears interest forever?

HOW BANKERS RULE GOVERNMENTS

From last week's cables: The governor of the Bank of France, in an interview with M. Laval, said that only if the new Government were prepared to adopt a programme of drastic economies would the bank rediscount Treasury bills due on June 15. The Treasury would be empty on that date, and financial panic would ensue. *It would then be clear to the public that the Government would be responsible for the disaster.*

When the Radicals learned of the ultimatum and gathered that M. Laval's only chance of forming a Government was to accede to the bank's demands, they refused their support, and M. Laval had to tell President Lebrun that he was unable to form a Cabinet. In the meantime the parties of the Left, ranging from Radicals to Communists, also became aware of the issue between the bank and Parliament.

"MADE IN JAPAN"

An Explanation of Japan's Success in the Competition for Markets

By J. DESBOROUGH, in *New Democracy*.

To one industry after another these words have come to mean losses of overseas markets, and, in addition, severe competition at home by goods priced so low that no ordinary tariff will keep them out.

Commencing with cotton and silk yarns and textiles, Japanese competition has rapidly extended to trade after trade, until today there are probably few industries producing for export that remain unaffected either directly or indirectly.

Great Britain, as a leading exporting country, has been one of the chief sufferers, but none of the industrialised countries has escaped, however efficient its productive methods.

The explanations given for the increasing Japanese ascendancy usually take the form of charges of unfair advantages gained in one or all of the four following ways: —

1. Labour conditions practically amounting to slavery and a debased standard of living generally.
2. The depreciation of the Japanese currency unit—the yen—in terms of foreign currencies.
3. A very high degree of mechanisation in Japanese industry in conjunction with (1) above.
4. The payment of subsidies to exporters and to shipbuilders and operators.

THE CHARGE OF "SLAVE LABOUR."

The most popular of these four charges is the first—slave labour. It is the explanation generally given by labour leaders in Great Britain; and the employers, doubtless with a view to increased tariff protection in the home and colonial markets, have also given it their support.

The Federation of British Industries, for example, in its report, "The Menace of Japanese Competition," issued in 1933, refers to all four charges, but underlines the importance of the first as follows: —

"Basically, however, Japan's ability to maintain a competitive advantage in export trade depends, not so much on her Government's power of regimentation in financial and commercial affairs, as on the extremely low standard of living of her working population."

In support of this conclusion comparisons are made between the wages paid to certain classes of British and Japanese workers. It all looks very convincing, and it has been swallowed without question by the Labor Party; *nevertheless it is nonsense*. The purchasing power of the yen in Japan, which is what matters to the Japanese worker, is ignored, and no allowance is made for the value of the housing, recreational, and other facilities provided free by large Japanese firms. Further, it is a fallacious comparison, for the standards of East and West differ, and fair comparison is made—that is, with another Asiatic country, for example, India—it is found that Japanese workers are generally better treated in every way.

THE I.L.O. DENIES BAD LABOUR CONDITIONS.

Unfortunately for the Federation of British Industries and its Labor allies, this charge of cheap labour can be completely dispelled by reference to the facts.

First, as to actual labour conditions: An expert labour investigator, in the person of the Assistant Director of the International Labor Office of the League of Nations— M. Fernand Maurette—recently visited Japan to obtain information on living and working conditions, and concludes his report as follows: —

"Social dumping, defined as the operation of promoting the export of national products by decreasing their cost of production as the result of depressing conditions of labour in the undertakings which produced them, or keeping those conditions at a low level, if they are already at such a level . . . does not exist in Japan."

WAGE RATES COULD NOT AFFECT PRICES.

But there is another, and even more conclusive answer to the "cheap labour" argument. Referring to the extensive mechanisation and consequent labour displacement in some of the industries, M. Maurette says, "some workshops appear to be almost empty of workers."

This proves that even if it were true that Japanese labour is sweated, *it completely fails to explain Japanese prices*, for in the highly mechanised industries direct labour charges form an insignificant fraction of cost, and wages, whether high or low, could make no appreciable difference to the cost of production.

In fact, in such industries, variations in wage rates of several hundreds percent may not mean a variation of one per cent in the price of the product. In other words, *wages could be increased until they were several times higher than in any other country, and still there would be no appreciable difference in prices.*

In the case of artificial silk yarns, for example, the process of manufacture is so highly mechanised that direct labour costs are less than one per cent.

CURRENCY DEPRECIATION - NO EXPLANATION.

The second factor, the depreciation of the Japanese currency, has undoubtedly assisted the export trade of Japan, but its importance has frequently been overstressed, for it results in higher prices having to be paid for raw materials, nearly all of which must be imported. To some extent Japan may have overcome this disadvantage by manipulation of the exchange rate, but depreciation must fail as an explanation of the extent of that expansion, for as M. Maurette states "it bears very heavily on imports."

M. Maurette regards depreciation as an accidental and temporary factor, whereas the report of the Federation of British Industries suggests that it forms a part of the Japanese policy. This is more probable, as in Japan *the financial system has been made the servant of national policy, instead of the master as elsewhere.*

MECHANISATION ALSO A MINOR FACTOR

The third suggestion—that the explanation of Japanese success is to be found in a high degree of mechanisation—is presumably accepted by M. Maurette, for according to *The Times* review of his report, he considers the "ultimate cause is to be found in commercial and technical organisation."

That is a surprising conclusion. Mere industrial organisation cannot possibly explain Japan's ability to under quote competitors by as much as seventy, eighty and ninety per cent., as frequently happens. One can only assume that M. Maurette was prohibited by the terms of his instructions from investigating other factors which might be expected to have a bearing on Japanese prices, and, having had to dismiss sweated labour as a result of his investigations, and regarding depreciation as temporary and unimportant, was forced to this conclusion for lack of other explanation. Alternatively, possibly the term "commercial" covers these other factors, such, for example, as the use of the financial system to further national policy.

Be this as it may, it is clear that no amount of *industrial* organisation is adequate to explain the increasing ascendancy of Japan. In fact, even if it be assumed that all three factors, sweated labour, a depreciated exchange and a highly efficient technical and commercial organisation are operative, they are insufficient, either individually or in combination, to account for such incidents in the economic war as the capture of the Indian market for cotton textiles.

UNDERSELLING IN SPITE OF 75 PER CENT TARIFF.

The facts of this are significant. The manufacture of cotton textiles is what may be called a "natural" industry in India, which produces a large cotton crop, whereas Japan has to import raw cotton thousands of miles by sea, much of it coming from India. Despite this initial disadvantage, Japan succeeded in underselling all competitors in the Indian market, including the Indian mills, using Indian labour and raw materials, even though import duties were constantly raised until in 1933 they stood at seventy-five per cent ad valorem for certain classes of goods, against a rate of twenty-five per cent ad valorem on similar British goods. The position of the Indian mill owners finally became so serious that the Government was forced to intervene, and Japanese imports are now restricted by a system of quotas

Competition from Japan on similar lines is now being experienced in the world markets for an ever-extending range of goods. One more example may be quoted as of particular interest, for it disposes of an argument sometimes advanced, that Japan's success is due to the late development of industrialism which has permitted the use of the most up-to-date machinery and processes.

The industry in question is the manufacture of artificial silk, which was not developed extensively in any country until after the war. Yet Japanese exporters have recently under quoted British, American and Italian manufacturers of both artificial silk and cotton goods by seventy-five per cent in the Australian market, with goods made to the patterns of their competitors. This despite a preference for British goods of one half to one third of the duty, which for some lines amounts to ninety per cent ad valorem.

THE TRUE EXPLANATION-SUBSIDIES

Instances such as these can be multiplied, and it is quite obvious that, of the four reasons generally given, there is only one that can possibly account for Japanese prices, and that is—Government subsidies.

The circumstantial evidence in support of this is overwhelming, and factual evidence, though not so plentiful, is also available. The report of the Federation of British Industries contains certain information. Figures are given of the subsidies paid to shipping companies totalling 185.5 million yen for the period 1920 to 1932. Without such payments it is claimed that the companies would have suffered severe losses in each of the years mentioned. Further statements in the same Report, showing the manner in which new industries have been founded with Governmental assistance, are as follow:

"It was the Japanese Government who first started Japan on the industrial road by providing factories, importing the machinery, engaging experts abroad, and finally handing over the works to private enterprises when the industry appeared to be properly established. Throughout the period of its development, Japanese industry has been assisted by the Japanese Government to develop new outlets by such means as special tariffs, *subsidies*, and even in some cases by *State guaranteed profits.*" (My italics). And, "Since 1925 the principle of Government aid to export: trade has been recognised by law in the form of a subsidy, *i.e.*, a 'foundation' grant, to help in the formation of guilds or associations either of manufacturers producing goods principally for export, or of actual exporters."

THE FINANCIAL POLICY OF JAPAN

These statements have never been denied by Japanese sources, and support can be found for them in official Japanese publications. The Thirty-Third Financial and Economic Annual of Japan, 1933, issued by the Department of Finance, throws light on the manner in which the Japanese financial system has been adapted to promote a national policy.

The Japanese banks are forced to hold a proportion of their deposits in national bonds or other negotiable paper approved by the Minister of Finance, or to deposit them in the Deposit Bureau of the Department of Finance. The Bank of Japan, the central bank of the country, was authorised in 1932 to increase the issue of notes, backed by Government bonds and Treasury bills, to 1,000 million yen, and where necessary to exceed this limit. The Deposit Bureau, in addition to bank deposits, also deals with all savings bank deposits and certain other funds, which are invested in national loans, or loaned to the General or Special Accounts of the Government, or used for other purposes "for the benefit of the State." The funds invested by the bureau amounted in 1933 to 3,595 million yen.

By these and other methods, the Japanese Government has steadily increased the internal loans, which rose from 2,600 million yen in 1924 to 5,700 million yen in 1933, the Budget having been balanced by loans for some years. In the same period external debt decreased from 1,600 million yen to 1,400 million yen.

THE USE OF THE NATION'S CREDIT

It is well known that Major Douglas's books have large sales in Japan, and sufficient has been said to show that the Japanese Government, alone amongst the Governments of the world, has grasped the possibilities of utilising the national credit.

Japan has not adopted the proposals of Major Douglas, but has adapted them to the national policy, which appears to be that of maintaining employment at home by building up an industrial system, which shall be second to none, by means of the subsidisation of exports. *Internal debt thus continues to pile up, but why worry? It need never be repaid!*

Attempts to meet the resultant competition by means of tariffs are utterly futile, for goods thus paid for from two sources can jump any tariffs, and attempts to restrict them by quotas, as in the British Colonies and India, must tend only to exacerbate relations with Japan.

SOCIAL CREDIT ALONE CAN MEET THE SITUATION.

The fear of this competition, which at any time may turn to hatred, can only be overcome by the reorganisation of the financial system in such a manner as to permit the distribution of the abundance potentially available to our own citizens. In this way only can Great Britain be made independent of export markets in which to dump the surplus of goods at present unsaleable in the home market.

To our shame, it has been left to Japan to demonstrate that financial policy can be made to serve national ends. But Great Britain may yet balance the account by adopting a national policy of production for consumption, and thus transform export trade from a form of warfare into a friendly exchange of surpluses.

FALSE GODS

The very first of the commandments, which Jehovah gave to Moses, was "Thou shalt have none other gods but Me."

Without wishing to enter into a religious discussion, it is surely reasonable to suppose that those who direct monetary policy are breaking this first and most important commandment every day of their lives. For worshipping God surely implies a true sense of valuation? It means, doesn't it, caring more about human happiness and human misery than winning or losing a game of beggar - my - neighbour played under the Threadneedle Street rules?

Everyone, probably, has come across what is usually called a "bridge fiend": a man (or very often a woman) who lives only to play bridge, think bridge, discuss bridge, food and sleep being merely tiresome interruptions necessary in order to refresh the brain and the nerves for yet more bridge? Well, this financial game of beggar-my-neighbour has become very much like that to the experts who specialise in it and the hideous part of it is that they are forcing all the rest of us, who would prefer not to break the first commandment, to play it. To play it not for fun but literally for life and death stakes.

How much longer are we going to put up with such a monstrous state of affairs? Shall we go on playing against our wills until the banks have won all the "chips"- Major Douglas has reminded us that world indebtedness increases as the fourth power of time in a hundred years—or shall we say, "Enough of this," get up from the card tables and escape into the open air to see what life really holds for us? *—Social Credit.*

BELGIUM BEGINS TO SEE THROUGH IT

A feature of the recent by-election in Brussels was the 45,000 votes gained by M. Amandes Janssens, an Antwerp businessman, the "Realist" candidate, against the 120,000 of M. Spaak, the Socialist Minister. *The Times'* correspondent described M. Janssens' platform as a violent attack on the banks. It included State banking and other proposals which, from the Social Credit point of view, are irrelevant, and there can be little doubt that the currency devaluation last month and the popular indignation at this "betrayal of the franc" gained him great support.

The real interest lies in the awakening of even the most conservative peoples of Europe to the secret tyranny, which is squeezing out the lives and liberties of Latin, Slav and Anglo-Saxon alike, of manufacturer, *rentier* and peasant, of Catholic, Protestant, Jew and agnostic, of young, old and prematurely old. The Belgian may not perhaps take kindly at first to what he would think of as "something for nothing" in the form of National Dividends. At present, however, he is getting nothing for something, and there are signs that he is waking up to the unpleasant fact. —*Social Credit,* May 3.

AN INSPIRED MISPRINT?

"Herald" report (May 30) of Mr. Lyons's speech at bankers' dinner in London:

Sir Robert, then chairman of the Commonwealth Bank Board, paced the floor and said, "They can have my life, but not my honour or that of the banks (sic) I represent."

"It is possible to eliminate a surplus by consuming more of the commodity as well as by producing less of *it."—The Times,* April 17.

PROSPERITY FOR ALL IS AT STAKE

From *Reynolds' Illustrated News*, April 28

"Prosperity is returning," say many newspapers and the "National" Government posters. "World trade is drying up," say League of Nations reports. Who is right?

The fact is that mankind is in, the throes of a mighty industrial revolution, such as history has not known before. More and more production is being achieved by fewer and fewer men. The productive capacity of the Machine is outstripping consuming power at an ever-increasing speed.

And the world, nominally at peace, is really engaged in a life-and-death struggle. As Sir Percy Bates, the Cunard chairman, told his shareholders: "There is war today, universal war; and the weapons are not navies, armies, or aeroplanes, but tariffs, quotas, and shifted currencies."

NATIONS WAGING TRADE WAR

Things at home are undeniably rather better than they were, for some people at any rate. But the improvement is confined to the home market. Can it be kept up if, as seems likely, trade between nations gets worse instead of better?

"The estimated value of world trade in terms of gold" says the "League of Nations Bulletin of Statistics," "reached, in February, 1935, the lowest point yet touched."

Even the London Chamber of Commerce, in its annual report just published, says that, failing a completely new system of international finance, the only alternatives before the civilised Western nations are "sustaining life on a rice or similar cheap diet"; and "extending the present system of burning wealth, throwing it into the sea, or otherwise destroying it."

The Chamber hints, indeed, at a third possibility, that "the surplus wealth which nations thus destroy might be very readily consumed by their own nationals, had they the purchasing power"!

STEEL PEACE THIS WEEK?

Apart from the grim spectre of Japanese competition with British industry in the markets of the world, there is the hardly less disturbing blockade of Belgian industry by the British steel masters who, having been given the stupendous tariff protection of fifty per cent, are seeking to exclude Belgian steel altogether from the British market.

The Belgians have offered to limit their British sales to the 1933 level—the lowest for a long time—provided the British duty be restored to its former figure of 33⅓ per cent.; and the British steel-masters' answer is due on Tuesday.

But already "protection" of British steel, worth at the most £450,000 to the home industry, has had devastating repercussions at home. It has caused coal exports to slump £1,000,000 and 'tinplate exports (of which cheap imported steel is the raw material) to slump £150,000.

Tariff gain. £450,000.
Tariff loss. . £1,150,000.

PATCHY PROSPERITY.

Floodlight on the condition of British industry is shed by the Board of Trade, which, taking 1930, the first year of the Great Slump, as 100, publishes comparative figures for 1934.

Here are some industries undeniably doing well: —

Steel, 120.9; copper, 158.6; cotton, 119; artificial silk, 190.9; natural silk. 152.4; and rubber manufacture, 148.7.

The last three items probably reflect changes of fashion (wool is down to 97.4). Armaments (and possibly breweries, too) explain the metal increases.

THE OTHER SIDE

But look at the other side of the picture: Coal, 90.7; electrical engineering. 77.6; shipbuilding, 45.1; railway freights, coal, 89.7; other railway freights, 91.9.

And although total industrial production is up to 105.8, *employment (on an increased population) is up to only* 103.5, *while unemployment has actually risen to* 109.3. *All this means that labour is being displaced through improved industrial mechanisation.*

A most amazing instance of this is supplied by the building trade, where unemployment has gone up by 2.2 per cent at a time when output of dwelling houses has risen by 48.4 per cent.

"He Lay Distracted in a Ditch"

London Chamber of Commerce President on Trade and Industry

Sir Stephen Demetriadi, K.B.E., President of the London Chamber of Commerce (says *The Accountant* England, of April 13 last), replying to the toast of "Trade and Industry," said he would like in the first place to express to Sir Josiah Stamp his best thanks for the very kind remarks he had made. When he (the speaker) was asked to respond to the toast of "Trade and Industry," he was informed that he ought to be very brief, and in that respect he would not disappoint them. The position of trade and industry at the present time, both nationally and internationally, reminded him of an old nursery rhyme: —

"The centipede was happy quite,
Until the toad in fun
Asked him which leg went after which;
Which worked his mind to such a pitch,
He lay distracted in a ditch,
Considering how to run."

They had succeeded in making what was originally and what should still be a simple business into something so involved and complex that trade and industry, like the centipede, were lying down and passing quietly away. The international trade last year was only one-third of what it was in the year 1929.

In simpler and, he suggested, in saner days, nobody had the least doubt as to what constituted wealth. Wealth consisted of the things human beings wanted—food, clothes, houses, horses and beautiful works of art. And the more of those things a man possessed, the richer he was reckoned to be. It was quite clearly understood that the reason why a man produced things was so that his friends, his relations and his retainers might consume them; and those simple souls would have been amazed to hear from more subtle moderns that what they should have done to become truly wealthy was to have restricted their production and burned, or otherwise destroyed, part of it - that in that way, by making it scarcer, they would make it also more valuable.

Even the great merchant adventurers who set off on perilous voyages laden with hatchets, with beads and with gin, and who returned with ivory, spices and silks, would have been somewhat surprised to learn that, according to modern notions, they would have done far greater service to the community had they been instrumental in exporting those goods, while successfully evading the obligation of importing anything at all in exchange for them.

International trade, instead of becoming an exchange of goods and services between nations to their mutual advantage, had become a desperate struggle by one to undersell the other. Those early ancestors of ours would, he was sure, be amazed to hear that great masses of people were in destitution, not because there was not enough to go round, but because there was too much, and that in consequence their labour was not needed to produce more.

It sometimes seemed to him that the present mess in which the world found itself was so essentially devoid of reason that perhaps the answer which had been hidden from the wise and prudent might yet be revealed to babes and sucklings; in other words, he thought it was not impossible that the centipede might yet decide to forget all about the toad and might just get up and walk quietly away.

JAPANESE RAYON And Incomes

The world has recently heard a great deal about Japanese rayon, the successful production of which may, not inconceivably, figure as a contributing cause to the next war. It is not from that aspect, however, but as an illustration of the diminishing importance of human labour in production, that this note is written.

A survey of the Japanese rayon industry recently appeared in the *Textile Organon*, published by the Tubize-Chatillon Corporation of New York, in which the component parts of its production costs were analysed.

Of the quality discussed below, the selling price was 30 cents a pound. Production costs were 17 cents and selling costs 4 cents, leaving a profit of 9 cents, or 43 per cent. The production costs were made up in this manner:

Items.	*Percentage of Total cost.*
Raw materials (wood pulp and chemicals)	51
Power	13
Operating expenses.	13
Labour	12
Depreciation	10
Packing	1
	100

And yet people look to "solving" unemployment by giving private enterprise a chance to start more industries.

Human labour's importance in production has now so diminished that in this industry the direct wage (factory) charge is lower than the factory power cost. Under raw materials—pulp and chemicals—it seems obvious that power also will be a big item. Packing is probably almost entirely mechanical, leaving operating expenses (largely plant charges) and depreciation to account for the balance of production costs.

It should provide an interesting evening's entertainment for those who still believe that industry automatically provides incomes equal to its costs, and that those incomes are made available at the same times as the goods are placed on the market, to work this out in the case of the rayon industry—or any similarly mechanised form of production.

The Real Plight of Our Children

By R. JOHNS.

An article recently published in the *Age*, recording the activities of State schoolteachers in the relief of distress rampant in the ranks of primary school children, was as illuminating as it was amazing.

That such indigence is existent in the community is appalling, and its revelation should give the lie direct to those people who, smug in their own security, are so ever ready to deny the presence of real poverty in Australia. The Prime Minister's wife, Mrs. Lyons, speaking recently in London to the Overseas League, said, according to the Sydney *Sun*, that the standard of living in Australia was high on account of the small disparity in wages.

Evidently this good lady was unaware that, according to the recent census, 60.5 *per cent of the people in New South Wales received* £2 *a week and under.*

Such munificent purchasing power to almost two-thirds of the population no doubt affords the high standard referred to.

TEACHERS DOING GOVERNMENT'S WORK

No praise is high enough to extend to the teachers for their humanitarian efforts in the amelioration of hunger. They, above all, know that only a well-nourished body is conducive to an active and assimilative mind, and, in carrying on this work, which is extraneous to their duty, and in so shouldering the responsibilities of the Government, they are rendering to the community an infinitely superior service to that of those engrossed in the manipulation of budgets for the satisfaction of their financial dictators and the kudos of their subsidised press.

Even these efforts of ministering to the physical wants of their charges are totally inadequate, as evidence of malnutrition in growing numbers is patent as the year goes on.

In some large city schools in industrial areas up to 33 *per cent of the pupils receive a milk ration!*

The signs of ill nourishment must be very obvious, for the teachers—who, I understand, have not yet added the degree of medicine to their long list of qualifications—find no trouble in selecting the little sufferers from among their pupils.

A most serious aspect of this under-nourishment has been brought to light recently in England, where school medical officers have found that, by the time signs of malnutrition become evident, irreparable damage is done.

UNDER-NOURISHED MOTHERS.

Now, if such a large percentage of our children are inadequately nourished, what of their mothers? In 90 per cent of cases they are far worse sufferers.

The Minister for Health, the Hon. W. M. Hughes, a few weeks ago manifested deep concern at the alarmingly high rate of maternal mortality, with its natural consequence, a heavy infant death rate. Without doubt this is caused by pre-natal ill nourishment. It would be meet for this gentleman, in his official capacity, to attempt to discover the root cause of this human loss and then use his famous rhetoric to importune the Commonwealth Bank to make available sufficient purchasing power for the various States to feed and clothe these starving mothers and their emaciated offspring.

The months of delay pass into years as the youthful generation struggles wanly to puny maturity, and the promises of prosperity remain but promises while the nation's storehouses of wheat, meat, and wool bulge to bursting as the foreign markets gradually close to us.

The agents of the people, the politicians, see the distress and crave for money (only a supply of tickets) to give effect to the demand of the people for food; but their masters, the financial overlords, entrenched in their citadel, let but a trickle through to the weakly-clamouring masses.

IGNORING THE PEOPLE'S MANDATE.

We have just had evidence of this at the recent meeting of the Loan Council. The people gave a mandate to Mr. Dunstan to abolish this unnecessary and devilish destitution, but after a gallant effort he was successful in obtaining only a modicum of what was really necessary.

The next demand of the people to their politicians let us hope, will be couched in terms something like this: We are the sovereign power; we are supreme; we command you, our emissaries, to demand the means to open the portals of plenty, and we will brook no delay. The people have spoken.

If failure then follows, democracy is dead and financial autocracy supreme.

ROOSEVELT SAVES AMERICA FOR —?

In two years President Roosevelt has expended £240 millions on public works and £680 millions on direct relief to the destitute. He has found the money by borrowing the nation's credit from the bankers, and thus increasing the U.S. national interest-bearing debt (to March last) by £1400 millions.

SPIRITUAL HAPPINESS, MATERIAL WELL-BEING—AND MONEY

From *B.I. Philosophy* for May, (published by British Insulated Cables Ltd.):

A reader writes that my theory that spiritual happiness is closely tied to material well being is all right as far as it goes, but that it doesn't go far enough.

"Spiritual happiness in a normal person," he says, "is a product of beauty—at least beauty induces activity of the spirit just as ugliness depresses the spirit.

"Money makes beauty possible, whether in home furnishings, women's appearance, or civic property, and even Nature herself needs pruning, care, and cultivation.

"If money makes beauty possible, and beauty makes spiritual happiness possible, then money and happiness are inseparable. I believe that the vast majority of those who belittle the advantages of materialistic wealth are rationalising their inability to get it.

"The real tragedy of the world is that those who probably have the greatest capacity for spiritual happiness have the least chance of owning the material things that make it possible. I think that many suicides and drunks are a product of realising this fact.

"Again, there is a tendency of the mind to lose its' spiritual capacity as a result of the things that must be done to accumulate wealth."

I do not take exception to these conclusions, but it seems to me that we have the means to approximate the ideal of bringing spiritual happiness into the lives of all. The day is near when the worker will get a larger share of the product of industry, thus improving his ability to live in pleasant surroundings. The idea is also gaining acceptance that excessive incomes must be ruthlessly taxed and the proceeds spent on community improvements, such as better housing, parks, playgrounds, swimming pools, recreation centres, and art museums. The way is being cleared for the ordinary man to rich his life physically, intellectually, and culturally,

I insist, however, that the bright days that lie ahead rest on an efficient system of materialistic production.

People do not fight over the division of the good things of life when there is enough for all.

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.

DEMOCRATIC ACTION

Permit me to express my appreciation of your paper's view of the function of democracy. I believe you are revealing a new method of political action. Your statement that it is the province of the people to *demand results*, and not to indicate methods, is a proper conception of political action, and your insistence upon the community's right to economic security *and* personal liberty is extremely well timed. There is a spreading opinion that democracy's days are numbered; that the paradox of poverty amidst plenty can be overcome only by the instituting of an open dictatorship. In Italy, Russia, Germany, and elsewhere we are witnessing a regimentation of humanity —a perversion of the relationship, which should exist between the individual and the group. In Tuesday's (June 11) issue of the *Age*, a sub-leader is devoted to Germany's methods of ordering and regulating her citizens' leisure. Their economic activities are already laid down. The implied suggestion of the article is that this "caring" for the people's leisure is a desirable thing, and this, in spite of the fact that the *Age* preens itself on its "Liberal" ideals. The community owes a debt of gratitude to your paper for bringing the real issues to the fore; and if democracy is to be preserved, such preservation can come about only along the lines you so clearly indicate.

ANTI-SERVILE STATE.

FILTHY SHOWS

Maybe I am old-fashioned. I drink beer, go to the races, swear, and enjoy laughing, but I don't like smut, particularly when it is served up in the presence of children. Last week I wanted to take some little relatives to the pictures, and I had much difficulty in finding a show with the full bill certified as being fit for general exhibition.

It struck me as being strange that picture shows all state in their advertisements whether or not their programmes are fit for general exhibition, while the other theatres make no reference to that particular consideration. This puzzles me. I cannot work it out. It certainly is not because the "flesh and blood" shows are all clean. I attended one of them recently, and it was seething with blatantly degenerate smut.

This unhealthy state of affairs has not come about in response to public demand. Most of the dirt, human and mechanical, is imported. The normal person does not look for vulgarity and sexual problem plays, but it is difficult to find an entertainment house that does not serve them up. The daily press apparently sees nothing wrong; otherwise the public attention could be directed towards the necessity of a cleansing campaign. I therefore hope that you will include in the objectives of your new journal an effort towards giving a generous application of mental disinfectant to those responsible for insidiously polluting the decency of the nation.

NO WOWSER.

MR. CASEY TAKES THE AIR

Mr. Casey in a recent broadcast said the creation of the Loan Council by the Bruce-Page Ministry was an act of high statesmanship. But for this Council he doubted whether the Commonwealth would have pulled through the depression.

The reasoning, which presumably preceded this statement, is rather difficult to follow. The Loan Council is merely a selected few of the representatives of the people. Its functions consist almost entirely in apportioning the loan moneys which the private banking interests see fit to create for its use. Although it consists wholly of men who are alleged to represent the desires of the people, it never at any time dares to give expression to these desires, which are, briefly, a moderate standard of comfort and economic security. It feels quite satisfied with its achievements, and expects the homage of the multitude if it can wheedle a few more millions from the bankers' inkpots at the expense of posterity. It never presumes to give orders in the name of a democratic people. Always it takes orders, servilely, with cap in hand. How this can be construed into an act of high statesmanship must surely bewilder future historians.

With over 80 per cent of the people of Victoria earning less than £3 per week, Mr. Casey's reflections on the passing of the depression need not be commented upon.

P.V.J.

THE BANK OF ENGLAND'S EXAMPLE

I submit a few notes to your readers. For the greater part of a year our Federal Parliament has been in recess. I feel like asking the question, as Washington did after his glorious achievements on the battlefield to George Mason, "Where are our men of abilities? why do they not come forth and save the country?" What wrung from the heart of Washington this wail of despair was the fact that he saw his army going without food for four days, and after winning the battle for independence he saw that civil war was inevitable through the incompetency of the civil authorities in 12 out of the 13 States. The State of Virginia was sound, and through Madison induced the other States to give up their jealousies and prejudices, and make the United States as happy in peace as they were united in war.

History repeats itself. Not only was Washington strangled by the hidden hand of Finance in the day of his exaltation, but our own people are prostrated under the cruel, crushing hoof of tyranny. We demand that our Members of Parliament should come out and save this country for whose people God has showered down His munificent gifts of Nature and Grace. "Unless the Lord build the house they labour in vain who build it." These words should be a warning to our statesmen that their feverish efforts of transferring the gold of Kalgoorlie into the subterranean vaults of the Bank of England, or that other pastime they indulge in of balancing budgets at all costs, no matter who suffers, will not bring the blessing of God on them. When one encounters bright young intellectual citizens of Melbourne marching or hiking between Melbourne and Brisbane, and then retracing their steps, because (and I say this in all truthfulness and deliberation) they could not get a decent living in keeping with virtue and honour between Melbourne and Brisbane, is it any wonder that we, as a Christian people, true to the ideals of Christ, Who said: "I have compassion on the multitude," should raise our voices and tell our statesmen that we want something more than vaporous outbursts of empty platitudes, such as "Prosperity lurks round the corner." We want, and we demand, our men of abilities to come out and save the country.

There is a way out of this oppression, not by inflation or deflation, but by equation. The Bank of England has seen a way (though not a perfect way) out of its difficulties, when by the introduction of machinery it was confronted with the task of compensating 1000 employees. How did it do it? By offering the much dreaded Dividend of £2000 or £2 per week to each employee.

(Rev.) J. P. KELLY.

Buladelah,
N.S.W.

INDUSTRIAL ASSURANCE

The thanks of the public are due to you for your exposure *(New Times*, June 7) of the appalling percentage of forfeitures inflicted by the Australian companies upon their policyholders, and particularly on the destitute industrial section.

An inquiry in England some time ago brought in findings somewhat similar to your conclusions. The Queensland Government last year passed an Act giving some measure of protection to industrial policyholders. Of course, the matter is properly one for Commonwealth action, but the Commonwealth, eager to intrude into every other kind of legislation, keeps well away from anything of this nature.

Is it because the Commonwealth relies upon the assurance companies to subscribe largely to its loans?

I heard Mr. Casey's appeal over the air on Monday night, asking the small investor to do his bit for this week's loan. As one who has lost everything—including my assurance policy—in the present collapse, I am congratulating myself that I am probably still doing my duty via the forfeited payments that my company will be investing.

NIL DESPERANDUM.

THE "SAVING" OF AUSTRALIA

I have read with interest the daily paper reports of the bankers' dinner given to our parliamentary members in England, and especially the statement of Mr. Lyons that the banks saved Australia in a crisis.

The banks saved Australia! Where probably 90 per cent of farms and factories are pawned to the money monopoly, where the industrial community are staggering under the burden of taxation, and where untold thousands of my fellow Australians are on relief work, trying to exist on a coolie standard of living! On top of this the national debt is increasing at the rate of over £30 millions a year. Is this salvation?

Mr. Menzies states that the banks are only custodians of their customers' deposits. Does Mr. Menzies really believe this? I should be pleased to debate the issue with him or any orthodox economist or banker in any public hall in Australia.

The banks' financing Australia is something like a man with a one-pound note financing a man with a one thousand pound note.

A. J. AMESS.

Sandringham.

The first to be constructed in England, a large and intricate calculating machine, known as a differential analyser, has been installed in the physics laboratory of the Manchester University . . . This differential analyser will deal with abstruse mathematical problems that arise in present-day scientific research which would otherwise necessitate prolonged, and in many cases imperfect numerical calculations. The machine will also make possible many investigations, which without it would be too laborious to be undertaken at all. —*Industrial Britain*, April 1935.

THE BUSINESS OF BANKING

A Banker's Lecture

In view of the constant attempts of some Australian bankers to deny that they create money or credit, and of the efforts of certain politicians to assert that the banks merely lend out their customers' deposits, it may not be without interest to recall that this attitude is very recent. Until the power of the bankers in this respect was challenged, very little attempt was made to set up a smoke screen.

As an example, the Melbourne Chamber of Commerce sponsored a course of commercial lectures in 1918. Amongst the lectures, which were reproduced in book form, was one by Mr. J. R. Butchart, then a high official of the London Bank.

The title of Mr. Butchart's address was "Money and Credit," and in the course of it he thus dealt with the question of deposits and loans, so called (where he uses the word "gold" one must today substitute "legal tender").

BANK OF AMSTERDAM

"It is a popular error that the business of banking consists of receiving money on deposit and lending the money out again at interest. Such a definition may be described as almost wholly erroneous. To understand what it is that a bank 'lends' when it makes advances, let us go back to the first modern bank —the Bank of Amsterdam.

"This was founded in 1609, and was an institution of very great importance to the City of Amsterdam, then the commercial capital of the world. The Bank of Amsterdam was founded on this principle, that it should receive deposits in the numerous and diverse kinds of metallic moneys then circulating, to the great annoyance of all business people; that it should reduce these heterogeneous (many kinds) moneys into one homogeneous (all of one kind) money; and that it should give credit in its ledger for the value of this uniform money, which credit became known as "bank money"; and it became the custom for all bills of exchange to be expressed as payable in this bank money.

"The principle was that the metallic money in the bank's safe always equalled the credit—deposits—in the bank's ledger. Of course, the bank did not make much money at the business.

> *I, myself, and those who think with me, have no very strong views as to what an ideal world ought to be like. We are merely concerned with removing any difficulties in the way of the individual achieving his own particular desires, especially in the economic sphere. We believe that the limitations placed upon the material comfort and economic security of the individual arise very largely from an assumption which is obsolescent, if not obsolete—that it is normal for every human being of adult age to be engaged in economic production, and that, therefore, he should not expect to draw from the economic pool without contributing to it.* —Major C. H. Douglas, April 10.

EVOLUTION OF BANKING

"But after 38 years' experience at the business the bank officials felt sufficient confidence to be assured that the bulk of the metallic money never left them; there was always a large unused reserve in the banks safe. Now the popular impression is that the bank officials, having this idle money on their hands, lent it out at interest. But the men to whom the bank would make advances were merchants, who did not want metallic money, but 'bank money,' deposits, credit, wherewith to meet bills of exchange before sale of the relative goods. The merchants would ask the bank, not for a loan of metallic money, but that the bank should discount their pro-notes to the bank at three, six, or nine months, and give them in exchange 'bank money,' deposits, credit, in the bank's ledger. The advances of the bank consisted in the bank allowing the deposits in its ledger to exceed the metallic money in its safe.

"The bank officials violated the principle on which the bank was founded, and they were punished for it when it was discovered; but what was then a fault is now a virtue. Every modern bank can boast that its deposits exceed its cash holding many times over.

DEPOSITS THE PRODUCT OF ADVANCES.

"Bank money, deposits, credit, written to customers' accounts in bank ledgers, are created by bank advances and discounts. That is an important but little understood fact in Australia.

"If all the bank advances in Australia were liquidated tomorrow, bank deposits would correspondingly be reduced.

"With what else than deposits could they be liquidated? A merchant liquidates his overdraft by selling goods, for which he gets payment in cheques—titles to bank deposits; he pays in these cheques, and so applies bank deposits to liquidate his overdraft. The advances and deposits are correspondingly reduced.

BANKS DEAL IN PROMISES -NOT MONEY, EXCEPT TO MINOR DEGREE.

"The matter is so important that it is worthwhile recapitulating the argument. The money used in the business world today to buy with is the promise of a bank to pay gold coins on demand notes or deposits. These promises the bank issues to its customers in exchange for their promises to pay gold coins at a future date, which latter the individuals escape by providing and selling fresh material wealth before the due date of their promises.

"The banker, a skilled judge as to who will fulfill their promises by provision and sale of wealth, discounts the promises of the individuals, writing the proceeds to credit of their accounts in his ledger, or, in other words, sells to them the right to draw cheques on the bank.

"The banker, guided by experience and to some extent by intuition, estimates what proportion of his promises to pay gold coins on demand will not be off-set, provided for, by provision of fresh credit by his customers in exchange for sale of wealth, and keeps in his strong room a stock of gold coins sufficient to meet the few promises that do not off-set.

"Now, do you see clearly what the business of banking consists of? It consists of dealings in promises— not in money; the only use of the reserve of metallic money is to provide the guarantee fund of the credit system, the fund that permits the value of the promises to be tested by conversion of them into gold coins at the will of the holder.

"A bank does not receive money on deposit and lend it out again at interest, except in a very minor degree.

"It exchanges its promises to pay on demand—call them notes or deposits, whichever you like—for the promises of its customers, payable at a future date; and as promises payable on demand are of more present value than promises payable at a future date, the difference in the values is its interest or discount.

"The material money in its strong room is only a guarantee fund that if its customers, to whom it has sold its promises, do not provide and sell goods for deposits and pay them in, the bank will pay its promises in gold coins.

"The view that a bank exists by receiving money on deposit and lending it out again at interest is shallow and superficial in the extreme".

THE STORY OF MONEY

and Its Management

(Continued from last issue.)

THE STRUCTURE OF AUSTRALIA'S MONEY SYSTEM

The money position of Australia, as it may now be summarised, is that we have, first, a legal currency made up of Australian notes and of silver and bronze coinage.

The coinage consists of a little more than £1 per head of small change—token money worth as metal only a fraction of its face value.

The note issue was formerly regulated by the amount of gold held in reserve by the Commonwealth Bank. The latest legislation, however, permits this reserve to be held in gold or in sterling (English money) in England, and in fact it is held almost entirely in sterling. So that the basis of our only national money (apart from the silver and the coppers) is that it is to be a certain multiple of a certain amount of gold or English money, the English money in turn having a certain—or, latterly, an uncertain—relation to gold.

On top of this national money system is imposed our real money supply, the financial credit created (and cancelled) in accordance with the policy of those few individuals who direct the private banks in the community. It is within their power to restrict this money supply of theirs in such a way as absolutely to control the policy of any and every government; to regulate prices, production, and all other material conditions of the nation—which obviously depend upon the only medium whereby goods and services can be distributed and exchanged; to stifle competition and to make or break most individuals within the community—for what enterprise can carry on to any extent without bank credit? On the other hand the ultimate expansion of money supplies is bounded, not by the capacity and will of the community to produce the goods and to render the services, which it requires, but by the capacity of the banks to produce notes, three-penny bits and pennies when asked for them.

THE ISSUE AND CANCELLATION OF CREDIT.

It must not be assumed, in criticising bank issues of credit, that this form of money is of itself bad. On the contrary this latest type—what might be called the bookkeeping system of money—is immeasurably superior to any previous form invented by men. Properly worked, it would seem to be the ideal. For you must remember that money is designed and intended to enable the distribution and exchange of all goods which can be produced and of all services which can be rendered, up to the fullest extent to which they are in demand. And it is difficult to conceive any tangible medium which could so faithfully reflect the ever-varying supply of goods and services as a system based on bookkeeping entries—a system of financial figures corresponding to the physical facts of production and consumption. Properly worked, this system should prevent either financial booms or financial slumps. The measure of a community's prosperity would be the amount of real wealth it produced. If it produced much it would be rich; if it produced little it would be poor; and such tragic conditions as those of today, with real wealth rotting on the one side and millions of destitute people (including the producers of the wealth) on the other, would be impossible.

Why the bank credit system has failed is because, instead of using money as a medium of exchange, private individuals have distorted it into a means of trafficking for profit and a weapon of domination.

If you consider the simplest form of a credit issue and withdrawal you will see the force of this.

HOW BANK CREDIT IS SUPPLIED AND CANCELLED.

Imagine a community of a dozen men wherein one is what is called a capitalist, one is a banker, and the other ten are labourers. The whole community is living in primitive conditions, and is more or less self-supporting. But there is a shortage of wheat among them. The capitalist, however, has land and a supply of seed wheat. The labourers are prepared to offer their services. But money is required for wages.

The capitalist therefore goes to the banker for assistance. The banker, from the nature of his calling, has to assure himself of two things. The first is that, if he makes credit available to the capitalist—or the producer, as he is more generally called—actual production will take place. The second, and equally important condition is that he must feel assured that the producer will be able to dispose of his goods for money—otherwise the banker cannot be repaid the money he will issue, which is his only concern in the transaction.

In issuing bank credit, therefore, the consumer is just as important as the producer—and any lack of consumers' purchasing power will clearly throw the whole system out of joint.

In our case, the banker is satisfied as to both conditions, and he makes available the sum required, say one hundred pounds. The producer distributes this in wages to the ten labourers and in due course the crop is harvested. Now, if the bank loan is to be repaid, it is clear that the producer must get back from his labourers, through the sale of his wheat, every penny that he has distributed to them.

Let us say that he does so, that each labourer surrenders his money for a certain quantity of wheat. The producer then returns this money to the banker in repayment of his debt. You will note that it is of no importance what the money was made of, whether coins, notes, mulberry bark, cheques, book entries, or anything else, as long as the little community accepted it.

We now arrive at a position, which seems eminently satisfactory. The money was issued through production and withdrawn through consumption. It has fulfilled its purpose, enabling the production of the real wealth, the rendering of the required services, and the ultimate distribution of the wealth amongst those who needed it.

This is what it should do, and what it is assumed or pretended that money does do today. But let us look into the transaction more closely.

In the first place, it will not matter if we multiply the wheat transaction thousands or millions of times. It will not matter if other transactions are greater or less, so long as goods are being produced which are required, and so long as money is being distributed to enable their sale and purchase. There will obviously be a lot of changing about. In practice, the labourer will not spend all his wages on wheat. He will divide the money amongst many articles. But if all the transactions are similarly conducted the sum total of money in existence at any time will suffice to buy all the goods for sale. There may be injustice as between individuals, but from a community point of view the total money supplies will be sufficient, which is all we are considering at the moment.

But in dealing with our wheat grower we have omitted several very important items of our present money system, such as the producer's profit, the bank's interest, and the money that may not be spent. These and other features, which throw our present money system out of gear, must now be looked into.

WHERE SOME OF THE BREAKDOWNS OCCUR

In our example it was assumed that the producer would not need money for wheat for himself. He would naturally make such terms with his labourers that out of his increase he would retain from the harvest a new supply of seed wheat (the return of his own capital), as well as a fair share for himself as his own wage or profit. And it was also assumed that the banker, who likewise had to live, would be repaid for his bookkeeping or accounting services with a portion of wheat. Actually these things do not happen. What really takes place in our complex community life is that both the producer and the banker must have their return in money, just as the wage earner does. And this brings us to the first cause of today's dislocation of our money system.

It might here again be stressed that for all practical purposes, when treating of money nowadays, it is only book entry money or fountain pen currency as used by the cheque system that matters. The whole volume of notes and coins in existence, as official business and banking returns show, would serve to cover only the minutest fraction of our ordinary business transactions.

THE RETAILER'S PROFIT

In the ordinary course of events, when a bank issues credit, this is almost entirely done for the purpose of production at one stage or another. It may be to a primary producer or to any of the intermediate stages up to the retailer. And at each stage the amount so advanced to individuals will usually be not more than their out-of-pocket costs. That is to say, the bank will not advance them their profit. In the intermediate stages this presents no insuperable difficulty. Thus, if you trace leather from the hoof up to the retail shoe store, the purchase price at each stage will in the ordinary course comprise all costs, including profits, of previous stages, so that each bank advance in turn enables the earlier one to be repaid, as well as giving their money profits to the cattle raiser, the tanner, and so forth. But in the last stage, when the final sale takes place to the consumer, he has not the money in his hands to pay the retailer's profits.

How often have you heard of a bank that will advance anyone his profit to spend before he makes it? But if the retailer does not spend his profit before he makes it, the money price of his goods (his costs plus his profit) will not be in the hands of the public to enable them to buy his goods. Hence at the last stage of industry, when goods are finally available for consumption, the community as a whole never has in its possession the money with which to buy them.

The same thing, of course, occurs in the case of company dividends, where again the prices of goods include a profit charge that must be collected months before it is distributed to enable the goods to be sold.

BANK INTEREST.

But this does not apply only in the case of the retailer's profit or the company dividend. You will find that the same thing happens in the case of bank interest. As each successive issue of bank credit takes up and repays the previous ones in the processes of industry, it naturally includes, amongst other costs, the payment of bank interest on each earlier loan. But in the last stage the same thing will happen as in the case of the retailer's profit. The retailer's bank interest must be charged into the prices of his goods. But the money charge of interest, which the bank makes, has never been issued as purchasing power. How, then, can that be taken back which has never gone out?

You have only to look at the sum total of bank loans to see this still more clearly. Take the figures already quoted for the end of 1934. At that date the private banks showed advances of £274 millions. How could this debt be paid, with interest added? Only by the banks themselves creating the additional money to pay the interest, only by an ever-increasing expansion of credit on their part. From which, in passing, you will note that it is not necessary for banks to restrict credit in order to cause a slump. They have merely to stop increasing it.

NATURAL INCREASE.

These are only two of the charges. If you look into any costing system you will find numerous other costs, which must be charged into prices but which are not available in the hands of the public at the time the goods come on the market.

You will also find that we have no means of creating money to correspond with and to enable the exchange of the new wealth, which is constantly coming into existence without any corresponding reflection in bank issues of financial credit, such as the various forms of natural increase in crops, stock and all kinds of primary industry.

RESERVES AND THRIFT SAVINGS

There is another very grave way in which purchasing power is dislocated. This is through the medium of company reserves and of individual thrift.

That these are necessary requires no argument. In the case of the former there are probably many abuses. The last few years have shown this, when reserves, instead of being drawn on to increase lower dividends, have by many large companies even been added to at a time when the position of smaller shareholders was desperate, and when the funds set aside were more than ample for all visible contingencies. For it must be recollected that reserves are in effect a forced levy from shareholders, bearing no interest, and greatly increasing the power of directors. This does not, however, disprove their necessity, particularly in such types of business as are subject to uncontrollable or seasonal variations.

Turning to individual thrift, it is in most cases indispensable. Apart from any question of provision for dependents, the ordinary wage or salary earner cannot otherwise acquire a house, furniture, a car, or even a suit of clothes.

But what do thrift savings, reserves, or any other forms of unspent purchasing power mean under our money system?

In general, all incomes must, somewhere, be represented as costs in industry. Incomes derived from services such as those of the doctor or the maid are simply a transfer to them of part of producers' incomes. So are the incomes of civil servants, pensioners, and others derived from taxation. All incomes of this type are simply a dilution of the incomes arising from the production of goods. Hence a sum not less than the total money available for spending must appear, somewhere or other, in the price tags affixed to goods.

So it follows that for every pound of income that is unspent a pound's worth of goods also must somewhere either remain unspent or be sold at a loss.

(To be continued.)

Printed by The Advocate Press, 309-319 Lonsdale Place, Melbourne, for the New Times Proprietary Limited, Elizabeth House, Melbourne.