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## THE TORY COMMUNIST

Before endeavouring, as it is proposed to do next week, to draw together the common threads running through the policies of Labor, the U.C.P., and the U.A.P., it may not be amiss to devote some little space to the Communist. This is not because Communism is either strong in Australia at present or even, as far as one can see, likely to become so in the immediate future; but because it does definitely offer a solution of sorts for our economic difficulties.

The horror of Communism is that aiming at the abolition of liberty, it completely surrenders liberty. The citizen becomes a slave, the State one vast bureaucracy. Wherever one turns one meets Caesar. There is no alternative, no appeal. And in practice, as has been seen where Communism has been tried, Caesar soon refuses to accept any other authority but himself in any sphere at all. Caesar crowns himself God by abolishing the Deity—a fair example of Communist freedom.

### THE COMMUNIST PROPOSALS

In conversation recently a gentleman well known in Australian public life stated that, beginning as an intellectual anarchist, he had next become a Liberal and finally (so far) a Socialist. At first sight this may appear a somewhat crabbish form of political progress, but upon a little thought it becomes clear as no more than the usual trend to conservatism that is supposed to be a sign of advancing years. For the policy of Communism or socialism (they both mean the same thing) is more Tory by far than that of any other political party in the Commonwealth—with the possible exception of Mr. Kent Hughes's party of one-Fascist-without-a-shirt in Melbourne, or Mr. Eric Campbell's slightly more numerous counterparts in Sydney.

The open objective of Communism is material security for all. One of its less advertised aims is to enable the poor to revenge themselves upon the rich, for Communism still believes that the poor are poor because, and only because, the rich are rich. By the rich it means those whom it terms the capitalist class, signifying, in general, all employers of labour.

To achieve its ends Communism has two main positive proposals—and this is where it shows the strength of its Tory-ism. The first is that the State must own and administer all property used for production, distribution, and exchange. The second is that everyone must be made to work.

### COMPULSORY WORK FOR ALL

Let us take the second of these proposals first. Compulsory work for everyone in 1935! Here, surely, is an absurdity. For the last year or two even those who used to say that, if the burdens were lifted from private industry, it would speedily reabsorb the unemployed—even these people have been strangely silent on that topic. For it is now generally admitted that, unless we are to smash or restrict our machines, it will never again be necessary to

[This is the fifth 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. The sixth, and final article will appear in next week's issue.]

employ in goods production more than a percentage, and an ever-lessening percentage, of those available. Even our Governments are recognising this—witness the proposal of the Victorian Ministry to appoint a full-time, full-salaried Minister in Charge of Sustenance.

But when you face the Communist with this, when you point out to him some of the amazing figures of power production, which can be found in nearly any newspaper you pick up, what is his reply?

He will generally fall back on one of two lines of defence. Either he will quote St. Paul at you, or he will give you the Communist diagnosis of human nature.

### "IF ANY MAN WILL NOT WORK—"

What strangely assorted bedfellows has that sentence of St. Paul brought together—"If any man will not work, neither let him eat." Certain Communists who, apart from that, may be anything from agnostics to militant atheists; certain financiers whose lives are militant blasphemy; certain Christians (generally very comfortably circumstanced) who can always see the will of God in the sufferings, misfortunes, and destitution of anyone but themselves—all these, and many more, we find united on the common platform of what has come to be called the Pauline doctrine. All these people, of whom some otherwise deny the Scriptures altogether, and of whom most refuse to accept their literal interpretation—all these are rigid and enthusiastic sticklers that St. Paul spoke that one sentence under the direct inspiration of God, that he spoke it for all men (themselves alone excepted), and that its application was meant to apply for all time.

Yet it would probably be agreed by most of these people that at least as strict an interpretation of Scripture as any is that put forward by the Catholic Church. And here is what the present Pope, discussing those words of St. Paul, had to say as

*The Right Hon. Earle Christmas Grafton Page, Acting Prime Minister.*

Dear Mr. Page,

*In your reply to a deputation from the Australian Natives' Association last week you were obviously placed in an awkward position when you came to discuss the question of imports. On the one hand you were dealing immediately with a large body of men who cannot see why anything at all which can be made in Australia should be imported. On the other, you had to remember that the party, you represent consists mainly of farmers whose livelihood has hitherto depended largely upon exports, and who are beginning to realise that without imports (which are the normal way which the foreigner pays us for our exports) there will soon be very little export trade at all. In the matter of technique you sidestepped the issue rather cleverly by pointing out to the A.N.A. how large a portion of our imports is made up of equipment, etc., for new industries.*

recently as 1931: "In no sense does he teach that labour is the sole title which gives a right to a living or to profits" ("Quadra gesimo Anno," page 22).

Of course, when Communism was first put forward seriously as a political doctrine, it is clear that the object in proclaiming compulsory work for all was to throw out a dragnet which would enmesh the so-called idle rich. With the progress of time, however—which has not meant any notable progress in Communist thought—insistence on compulsory work has blinded Communists to the physical facts of what is happening in the world around them. With the machine freeing man more and more rapidly, they still admit no other title to life except labour.

What is more, they will not for one moment grant you that any motive other than the fear of starvation would induce men generally to do the necessary labour which industry still requires. They will not admit that if people generally had the equivalent of, say, the basic wage before they began to work, the people would then never work at all. They will not listen to reason on the subject. It is useless you pointing out that, in general, the richer people become, the harder they are inclined to apply themselves to their businesses. It is useless your reminding them that, if finance were not our master, the greater part of the really unpleasant work—sanitary carting, for example—could be abolished very rapidly, and that what remained could be paid for at very high rates.

On all these matters you might as well save your breath; your "revolutionary" Communist will out-Tory any Tory. He is no more open to conviction than was Lord Leverhulme in the story related by Major Douglas. "Shortly after the war," says Douglas ("Warning Democracy," page 6), "I had several conversations with the late Lord Leverhulme on these matters, and he was quite clear that only the fear of poverty kept the

vast majority of people at work, and he took it for granted that they ought to be kept at work. Two or three sentences after disposing of the question in the foregoing manner, he explained that he worked much harder than any of his employees. That, of course, was because he was different."

### OWNERSHIP OF THE MACHINE

As with labour, so with the machine itself. The rest of the world can see the goods spilling out aimlessly in every direction or choking the machine. The rest of the world can see that the owner of the machine, like a magician at a fair, will produce anything it may be anyone's whim to ask for; that his production is limited only by the requests of the onlookers. And so, instead of looking for the trouble down among the onlookers, in-stead of asking them why they keep so strangely silent, the poor old Communist, turning his head resolutely towards the nineteenth century, repeats to himself: "The people are not fed. Give them the machines."

But supposing that the Communist, instead of deciding for himself what the people needed, went amongst them and sought their opinion—what replies would he get? There is no doubt that the great majority would say, "Food," or "Boots," or "Clothes," or some such thing. And if there were one in the crowd who should say, "The Machine," the Communist would find that one wanted the machine for himself, and not to share it with the rest of the crowd.

In this country we already have Communist ownership of a number of things—the railways, for instance. No attempt is made here to suggest that such key industries should not be socially owned and administered, as well as controlled (though quite a good case could be made for control without administration or ownership). But the point is who really cares who owns the system?

*But, oh, Mr. Page! when you let yourself go on international trade in general! "To buy and sell was the only thing to do in these abnormal times"—would you mind translating that into words to suit our simple intelligence? And this gem: "There is an overabundance, yet people are underfed and under clothed. In my opinion that position can be overcome only by recognition of the principles of international trade." Is it really your considered opinion, Mr. Page, that our fellow-citizens in Australia who are underfed and under clothed (as hundreds of thousands of them are) cannot have their wrongs righted without more international trade? What is there, either of food or of clothing, of which we have not already ample in this country to provide for all?*

*If you really subscribe to such ideas, then it is high time that you had the honesty, to step down from your Canberra post and give a chance to someone with more realism—or more courage.*

THE NEW TIMES

Are the public concerned primarily in any other aspect of the railways except the prices of fares and freights? Is not the complaint at the present moment that railway freights are dearer than the charges of private transporters, and that the prosperity of the people is being hindered by a State monopoly?

What the Communist has seen is that the cheapening of process which machinery has made possible has not been more than partially passed on to the worker. And so, without endeavouring to investigate the matter any further, he has jumped to the conclusion that what the worker has not got must have been kept by the industrial capitalist. You could hardly get it into his head with an axe that the industrial capitalist is just as much a pawn today as ever the workman was, and that it is the financier or banker who is now in supreme control.

On the question of finance he is as conservative as any Labor politician who has seen the error of his ways, and not even J. A. Lyons is more withering in his contempt for monetary reformers. The Communist, however, will at least generally have the honesty to admit that he knows nothing about money. The unfortunate thing is that he will not make the effort to learn anything about it. His master, Marx, gave money a minor place in Communist philosophy, and the disciple of today fails to see that with every expansion of electric power and every improvement of process since Marx's day, the importance of money as a means of distributing the new wealth amongst the people has increased proportionately.

Next week's article:  
THE MONETARY REFORMERS

### Still Fit For It

Bernard Shaw once observed that Mr. Montague Norman, Governor of the Bank of England, is the only leader who has told the truth about the present crisis—namely, that he understands nothing.

Mr. Norman, however, is not alone in veracity. Sir Basil Blackett, a director of the Bank of England, once said, "When I think of what we have done with money, and what money has done to us, I think we are all fit for a lunatic asylum."

He said that over a year ago, but he and his fellow-directors have not changed their policy. They are still all fit. —Social Credit.

### "More than High Finance Could Say"

It is reported that had they visited one of the mean streets in the East End their Majesties would have been met by a banner bearing the device, "Lousy but Loyal." This has the authentic, irrepressible ring, and it is more than high finance could say.

—"Social Credit," May 17.

## DEMANDING RESULTS!

### The United States and Control of Monetary Policy

By J.D.B., in "Social Credit," May 17

This paper cannot normally spare the space for discussion of overseas topics that are not directly related to Social Credit; it exists for a definite purpose and cannot afford (literally) to be discursive. The situation, which has developed in the United States, however, offers such immense possibilities from the Social Credit point of view that some reference must be made to it.

#### THE PARTY SYSTEM KILLED BY DEBT.

There are two principal and traditional parties in the United States, Republicans and Democrats, but although it may have been possible at one time to draw a valid distinction between them along the lines of their attitude towards centralised or decentralised government control, that distinction has largely disappeared beneath the overriding influence of the power age and its accompanying burden of debt which obliterates all landmarks.

The Progressives, the Socialists, and the Communists have at different times lately attempted to infuse some reality into the moribund party system, but have all failed to win any widespread support for the basic reason that they thought in terms of an age of scarcity and consequently had little to offer but one unnecessary form of discomfort instead of another. Whether party politics will ever recover reality in America it is impossible to foresee; what is certain is that as the result of two years' "New Deal" with the same financial pack the people of the United States are turning to various schemes which agree only in the single particular of putting the reform of monetary policy in the centre of the political stage.

The common goal which one may perhaps fairly attribute to such different men as Father Coughlin, Dr. Townsend, and Senator Huey Long, can be expressed in a picturesque phrase of the last-named: "Every man a king," or more prosaically as "The dictatorship of the consumer."

#### HUEY LONG'S SHARE-THE-WEALTH PROGRAMME

How fast and by what different routes they are going is another matter. Even Roosevelt, as some people still remember, started out two long years ago with the same general objective, before he and his corps of second-rate experts lost themselves in the morass of trying to teach first-rate experts how to do their jobs. Huey Long was until lately Governor of Louisiana, and his influence, like that of the President, depends largely on the possession of a dynamic personality, although the almost religious fervour with which many millions of bewildered Americans are rushing to join His "Share-Our-Wealth" societies is equally a tribute to the efficiency of the financiers' age-of-scarcity propaganda, which can still make it seem inevitable to the farmer that the way to benefit the poor should be to tax the rich.

Huey Long's schemes are denounced by some people as socialistic because they involve the leveling of incomes, by others as Fascist because they foresee in them the germs of an open dictatorship. That they are based on the idea of a capital levy and are crude and unworkable there can be little doubt. From the Social Credit point of view his importance lies in his insistence on the claims of human beings as compared with systems of finance, in his determination to get something done, and above all in the unlimited field for intelligent

propaganda opened up among those whom he has shaken out of their economic rut, and who can be shown that the actual proposals they have been led to support are like the crew of a Mississippi steamboat fighting over what they are convinced is the only available bucket of drinking water.

#### THE TOWNSEND PLAN.

Dr. Townsend is a retired physician who claims to have thirty million signatures in support of his plan for giving old-age pensions of £40 a month to all American citizens over the age of 60 who are not doing paid work and are not habitual criminals. The money is to be raised by a tax on business transactions and spent within a limited period. His O.A.R.P. (Old Age Revolving Pension) proposals have some support in Congress and far more in the country at large, and are based at least on recognition of the fact that the United States has enough real wealth to make the suggested payment a reasonable one. How reasonable indeed is made clear by a writer in "Controversy" (San Francisco: Social Credit) who points out that according to the Government's own statistics supplied by the National Survey of Product Capacity the average income of an American family at 1926 prices might immediately be between £800 and £900 (it actually is about £200).

The fact that the Townsend monetary technique is ineffective for implementing his policy, and that this policy varies in very many respects from Social Credit should not obscure the fact that it errs principally on the side of caution, and in failing to recognise the equally valid claims of all citizens, irrespective of age or character, to a share in the national dividend which is the measure of their cultural inheritance. "Social Credit is the method," concludes "Controversy," "by which the Townsend demands can be met," and latest reports from California in particular give good grounds for hoping that the Townsend supporters are at length turning to the Social Credit technique as the only workable method of implementing their incomplete yet highly significant proposals.

#### FATHER COUGHLIN.

I shall say little here of Father Coughlin, the foundation of whose National Union for Social Justice was noted at some length in "Social Credit" of April 5 ("Social Credit in the Middle West"). His method of putting pressure on Congress appears to be fundamentally similar to that of the Electoral Campaign in Great Britain, and his support for Social Credit is much more genuine and explicit than that of the other American monetary reformers. He claims eight million followers, and was reported recently in "The Times" as having launched a political organisation for carrying out his ideas, though this probably refers to the selection of "lobbyists" for Washington who are prepared to support his sixteen-point programme in its entirety. The "Redbook Magazine" ends an article entitled "When Father Coughlin Comes to Washington" with these words: "This will be pressure politics — lobbying by weight of numbers . . . Father Coughlin ought to be able to hit the Congress with the biggest propagandist blows in our whole national history."

President Roosevelt is said to have reminded an impatient monetary reformer on one occasion that it was the bus-

iness of a Government to "yield to pressure." It looks as though he may soon have some yielding to do.

#### SOCIAL CREDIT ACTIVITIES IN U.S.A.

Specific Social Credit activities in the United States are now so numerous and widespread that only the more striking features can possibly be recorded here.

In the first place the National Social Credit Association, which was formed late in 1934, has acquired permanent offices at 103 Park Avenue, New York (Secretary, W. A. Nyland), and seems likely in course of time to receive affiliations of New Economic Groups throughout the United States and act in many respects as a national secretariat.

The two chief items of Social Credit press news round New York are the report that the "Peekskill Daily Union" has joined the small but distinguished list of daily papers with a Social Credit editorial policy, and that "Esquire," a New York weekly with upwards of a quarter of a million circulation, ran a Social Credit article in its March number called "Money for Everybody," which the Editor later described as one of the most provocative things he had ever published. The "Christian Science Monitor" for April 3 contained an article by Major Douglas called "Why Social Credit?"

At the other side of the continent, Manchester Boddy continues to spread Social Credit in California through his own papers, particularly the "Illustrated Daily News" of Los Angeles, and is shortly to start a feature called "Social Credit Illustrated" (at present we can use our imaginations on that!). This paper now has a special Social Credit Editor, whose mail is greater than that of all the other feature writers combined.

From Los Angeles radio stations alone there are two or three broadcasts a week on Social Credit, Boddy being "on the air" each Thursday (Station KFI). On March 7, 2800 people listened to a debate between John Strachey, the English Communist and author of "The Nature of Capitalist Crisis," and Manchester Boddy, on the subject "Is Social Credit the American Solution?"

A whole host of other papers, groups, and individuals deserve far more than this "blanket" mention of their activities, which from Atlantic to Pacific are bringing the United States, a late starter, up fast in the race of five countries for economic salvation. Last, but very far from least, "The Rotarian" (organ of Rotary International) printed in its April issue a symposium on the future of the Gold Standard by Major Douglas, Dr. Fattener Van Vlissingen, President of the International Chamber of Commerce, and E. W. Kemmerer, Professor of International Finance at Princeton University, U.S.A. Major Douglas's contribution took the view that the Gold Standard had no future, being based on "a complete misapprehension of the nature of the modern production system," and he proceeded to show that the problem of a satisfactory economic society is a dividend rather than a wage problem.

#### At the Last Machine and Tool Engineering Exhibition in England—

Machines to make machines in half the time formerly taken.

Motorcar hubs produced complete in 9 minutes: half the time taken before.

Solid steel sliced into accurate pieces at 18-ft. per minute: half the time taken before.

Sparking plug bodies produced complete in 6 seconds: one-sixth of the time taken before.

Fourteen holes drilled in brake shoes in 2 1/2 seconds: one-tenth former time.

Light ray controls cutting of steel to less than 120,000th of an inch.

## DON'T LET IT DIE

By D. IZZIE.

Hail to the victor. The wheelbarrow marathon is over and done with. That is, if our stunt press, which made it, decides to let it die. In case it does, let's vote for the continuance of the idea. We've been called a nation of gamblers, so why not live up to it and enable a few lucky ones to solve the problem of how to achieve security? The Australian puts his few shillings on a "dead cert" or his favorite football team, whilst overseas they prefer to speculate in pepper and tin, in francs and stocks and shares. Then, when all talk about that in which they are financially interested, the Australian is dubbed a sport-crazy gambler, and the foreigner is looked on as a sound businessman. The Australian impoverishes only himself in keeping the bookies in comfort, whilst the foreigner causes the ruin of others in seeking his own gain, so perhaps we are not as bad as we might be. But what's in a name? The fact is that all the world likes a flutter, so why not capitalise the desire?

One evening paper, a few weeks back, gave us an idea. Under the heading, "Giving Point to a Good Joke," it tactfully hinted that charity should get its cut out of the barrow wager, and gave instances of freak bets where the winnings had been handed over to some deserving cause. I don't think that the paper put forward the idea as a solution to our hospital problem, for the £20 in question would not be quite sufficient. However, plenty of challenges have been made, and if the public can be persuaded that they are vital news the requisite amount might be forthcoming. Start them off as sweepstakes on a firm basis of 20 per cent to charity and 80 per cent to the winner, and the actual contest doesn't matter much. Everyone is so anxious to become secure that they are willing to accept any long odds, and if the entrance fee were reasonable, the public support would be enormous.

Let us try and get away from races and such mundane subjects, so, to give the idea a little impetus, I suggest a few sporting events:

A somersaulting contest between two politicians from Parliament House to Spencer Street, or between any two professional economists from July to August.

A duel with sharp words and assorted Boards between the Government and the Opposition to determine what the people want.

A conspiracy between financiers to determine what they will get.

An imbroglio with pens and chequebooks between the Associated Banks to determine which will get the balance of the 12½ millions.

Any subject such as these will do. The only thing necessary is that the public should have no say in the decision and should believe that there is a certain amount of chance attached to it.

In this way we can at least solve our hospital problem and make a few ordinary citizens prosperous—which is more than any Government has done up to date.

In the international sphere much can be done. The greatest race in history is taking place almost unnoticed for lack of proper publicity. I refer, of course, to the great inter-governmental race into debt. Every Government of every State of every nation is a competitor, and this event should be made exclusive to them. With an entry fee of, say, a million it could be a contest, a sweepstake or a test of skill. With the latter each entrant could place the nations in order of their debts at the end of the next year. This method would perhaps be fairer, for some countries have kinder banking institutions than others. In an

open contest, of course, America seems to be a red-hot favourite, but in a handicap event on a per capita basis any Australian State would be well in the running. Whatever is done, the winner takes the lot, and for one year at least solves the problem of how to pay its interest bill without going deeper into debt. The losers would not suffer much, as they would only have to borrow the interest on an extra million, and that could be offset by a Conversion Loan.

But to return to our barrow Surely this must have been one of man's earliest inventions. At any rate, as a means of transport it has been superseded long ago. A motorcar would have carried the sportsmen in question over the course in a couple of hours, giving them leisure to enjoy the scenic beauties of Buffalo. Everybody knows that and would normally use the car. Why, then, do they emulate the ostrich and, burrowing their heads in the sand, refuse to see the same thing happening in every industry? Man's primitive machines, worked by hand, have been replaced by the power-driven giant, freeing him from toil and making leisure and happiness possible for all.

Will man wake up and take the benefits that are here, or will he continue to push his barrow? That brings us to our last gamble. On whom will you put your money in the struggle between science and finance to determine our standard of living?

#### WHAT NEXT?

Under the above heading, the following editorial appeared in "Reynolds's Illustrated News" of May 5:

The Jubilee makes work. In March there were 120,000 fewer unemployed. Jubilee and re-armament contributed to that. In April, even in May, there will be more money in people's pockets, more cash ringing the shopkeeper's till, a shortening of the long shadow of unemployment.

Then the sun of Jubilee will go down. The making of guns and airplanes will be our main expanding industry. Will unemployment's shadow lengthen?

Last week the London Chamber of Commerce put these alternatives before civilised Western nations: (1) a completely new system of international finance, of which there is little immediate hope; or, (2), sustaining life on "a rice or similar cheap diet," and extending the present system of destroying wealth; or (3) enabling people to consume surplus goods by increasing their purchasing power.

Now comes the quarterly survey of the Federation of British Industries. It, of course, refuses to contemplate the Third Alternative. But it admits, frankly, that it doubts whether the standard of living is rising and whether the machinery of capitalist production is capable of securing more material well-being for the masses of mankind.

Will the nation, in this year of Jubilee, accept and work out the technique of that Third Alternative? Thus would Jubilee Year be made to live in history.

In digging the Welland Canal in Canada, five workmen with machines displaced the same amount of earth as did 4,000 men in digging the Suez Canal.

In 1929, in Czechoslovakia, 1,000 workers produced 100 million bottles per year. In 1919, 8,000 workers produced 50 million.

In 1904, in the U.S.A., 1,291 hours' work was required to produce a car; in 1923, 133 hours; and in 1929, 92 hours. The Buick Company, in 1927, produced 14 times the number of cars made in 1920 with an increase of ten per cent in personnel.

In an American car only six per cent of the selling price is represented by labour charges, salaries and wages.

## THE CAUSES OF WAR

### Is Our Money System to Blame?

By MAJOR C. H. DOUGLAS.

Perhaps the first necessity, if we wish to arrive at the truth of this matter, is to be clear on what we mean by "war." The technical definition of war is "any action taken to impose your will upon an enemy, or to prevent him from imposing his will upon you." You will, I think, recognise at once that this definition of war makes the motive rather than the method the important matter to consider. I am much afraid that more energy is devoted at the present time to the endeavour to modify the *methods* of war than to removing the *motive* for war. If we recognise this, we shall be in a better position to realise *that we are never at peace—that only the form of war changes.*

Military wars are waged by nations, a statement which is the basis for the somewhat naive and, I think, certainly erroneous idea that you would abolish war if you abolished nations. This is much like saying that you would abolish rate paying if you abolished Urban District Councils. You do not dispose of a problem by enlarging its boundaries, and, if I am not mistaken, the seeds of war are in every village.

#### ECONOMIC WAR.

I think we can get a glimpse of the main causes of war if we consider the problems of statesmen, who are expected to guide the destinies of nations. I suppose most statesmen at the present time would agree that their primary problem is to increase employment, and to induce trade prosperity for their own nationals, and there are few of them who would not add that the shortest way to achieve this would be to capture foreign markets.

*Once this the common theory of international trade, is assumed, we have, I believe, set our feet upon a road whose only end is war.*

The use of the word "capture" indicates the desire to take away from some other country something with which they—being unable, also, to be prosperous without general employment—do not desire to part.

*That is endeavouring to impose your will upon an adversary, and is economic war, which has always ultimately resulted in military war, and probably, always will.*

The so-called psychological causes of war are, I feel confident, the response of human nature to irritations or fears which can be traced to this cause, either directly or indirectly. To say that all men will fight if sufficiently irritated seems to me to be an argument against irritating them rather than against human nature. It is not the irritation, which causes the economic war; it is the economic war, which causes the irritation.

#### MILITARY WAR.

Military war is an intensification of economic war, and differs only in method and not in principle. The armaments industry, for instance, provides employment and high wages to at least the same extent that it provides profits to employers, and I cannot see any difference between the culpability of the employee and that of the employer. I have no interest, direct or indirect, in the armaments industry, but I am fairly familiar with Big Business, and I do not believe that the bribery and corruption, of which we have heard so much in connection with armaments, are any worse in that trade than in any others.

So long as we are prepared to agree, firstly, that the removal of industrial unemployment is the primary object of statesmanship, and, secondly, that the capture of foreign-markets is the shortest path to the attainment of this objective, we have the primary economic irritant to military war always with us, and

moreover, we have it in an accelerating rate of growth, because production is expanding through the use of power machinery, and undeveloped markets into which a surplus can be poured are contracting.

Any village which has two grocers' shops, each competing for an insufficient and decreasing amount of business, while continually enlarging its premises, is a working demonstration of the economic causes of war—is, in fact, itself at war by economic methods. I do not believe that it is sensible to lecture the publics of any or all of the nations on either the wickedness or the horrors of war, or to ask for goodwill to abolish military war or the trade in armaments, so long as it remains true that, if one of the village grocers captures the whole of the other grocer's business, the second grocer and his employees will suffer: or if it remains true that if one nation captures the whole of another nation's trade, the population of the second nation will be unemployed, and, being unemployed, they will suffer also.

*It is poverty and economic insecurity, which submits human nature to the greatest strain, a statement that is easily provable by comparing suicide statistics with bankruptcy statistics and business depression.*

Suicides are less in number during wars, not because people like wars, but because there is more money about. Suicides are also less in number during trade booms, for the same reason. To know, therefore, whether war is inevitable, we have to know whether, firstly, there is enough real wealth available to keep the whole population in comfort *without* the whole of the population being employed, and secondly, if this is so, what it is that prevents this wealth from being distributed.

In regard to the first question, I believe there can be no doubt as to the answer. We are all beginning to be familiar with the phrase, "poverty amidst plenty," and it is generally admitted that the crisis of the past four or five years has been a crisis of glut and not a crisis of scarcity. Yet during that crisis poverty has been widely extended, because unemployment has been widely extended. So that we have experimental evidence that *full employment is not necessary to produce the wealth that we require: it is only necessary to the end that we may be able to distribute wages—quite a different matter.*

In regard to the second question, therefore, we know it is lack of money in the hands of individuals to enable them to buy the wealth, which is available, and not the lack of available goods, which makes men poor.

As our arrangements are at the present time, money is primarily distributed in respect of employment, which, as the glut has shown, is in many cases not necessary, or even desirable. So that it is not too much to say that *the causes of war and the causes of poverty amidst plenty are the same, and they may be found in the monetary and wage system, and that, broadly speaking, the cure for poverty and the beginnings of the cure for war can be found in a simple rectification of the money system.*

#### NATIONAL DIVIDEND THE REMEDY.

This rectification must, I think, take the form of a National Dividend, either in a simple or more complex form, so that while there is real wealth to be distributed, nobody shall lack for want of money with which to buy. Perhaps I need hardly tell you that money is actually made by the banking system, and not by agriculture or industry.

The *Encyclopedia Britannica* states the matter clearly in its article on banking, in the words: "Banks lend money by creating the means of payment out of nothing."

It seems difficult to make it clear that the proposal for a national dividend, which would enable the products of our industrial system to be bought by our own population, has nothing to do with socialism, as that is commonly understood. The main idea of socialism appears to be the nationalisation of productive undertakings and their administration by Government departments. Whatever merits such a proposal may have or may not have; it does not touch the difficulty we have been considering.

*The provision of a National Dividend is merely to place in the hands of each one of the population, in the form of dividend-paying shares, a share of what is now known as the National Debt*

without, however, confiscating that which is already in private hands, since the national credit is, in fact, immensely greater than that portion of the National Debt which now provides incomes to individuals.

The practical effect of a national dividend would be—firstly, to provide a secure source of income to individuals, which, though it might be desirable to augment it by work when obtainable, would, nevertheless, provide all the necessary purchasing power to maintain self-respect and health. By providing a steady demand upon our producing system, it would go a long way towards stabilising business conditions, and would assure producers of a constant home market for their goods.

We already have the beginnings of such a system in our various pension schemes and unemployment insurance, but the defect, for the moment, of these is that they are put forward in conjunction with schemes of taxation which go a long way towards neutralising their beneficial effect. While this is inevitable under our present monetary system, it is far from being inevitable

*when the essentially, public nature of the monetary system receives the recognition which is its due, but is not yet granted to it by our bankers.*

#### A CONTENTED AND PROSPEROUS BRITAIN

But you may ask, with reason, why the provision of a National Dividend, even if effective in removing the prime motive for aggressive war on the part of Great Britain, would so affect the motives of other nations as to prevent them from making war upon us, I think the answer to this is twofold.

In the first place, I believe it to be, while the present financial system persists, merely sentimental to suppose that a weak nation, particularly if it be also a rich nation, is a factor making for peace. Quite the contrary. It is as sensible to say that a bank would never be robbed if it had paper walls.

International bankers are, almost to a man, strong advocates of national disarmament, but their bank clerks, alone amongst civilian employees in this country, are armed with revolvers, and the strength of bank premises compares with that of modern fortresses.

Strength unaccompanied by a motive for aggression is a factor making for peace. A radical modification of the existing financial system will make it possible to build up a strong and united nation free from economic dissension, which would, by its strength, offer a powerful deterrent to aggressive war.

And, secondly, the spectacle of a contented and prosperous Britain, willing to trade but not forced by unemployment to

## LAWS OR RULES?

By E. H. HERGSTROM.

Much of the confusion of thought today arises from inability to appreciate the difference between conventional rules and natural law. If I drive a motorcar at 40 miles an hour, it is a natural result that I reach my destination quicker than if I travelled at 20 miles an hour. It is, however, a man arranged result that I am fined for exceeding the speed limit. The fine is a conventional rule, which can be and is changed to suit man's convenience, while the other is a natural result of a natural law, which cannot be altered by man. The chaotic state of the world arises largely from the tendency to assume that man-made, conventional rules are natural laws, and therefore cannot be altered.

The law of supply and demand is commonly referred to as immutable and inexorable and as something, which there is no circumventing. When the supply exceeds the demand we know that prices fall, and when the demand outstrips the supply they rise. But price is a man-made arrangement, which is decided by the supply of goods for sale and the effective demand (money) available to purchase with. We therefore have the ridiculous spectacle of producers being penalised by low prices when abundance has been created and rewarded with high prices when there is a scarcity. The low price which results from supply exceeding effective demand is just as much a man-made, conventional rule as is the penalty attached to speeding, and can be altered to suit the convenience of man. Systems were made for men and not men for systems, and it is the attempt to force mankind to conventional rules as if they were immutable natural laws that has resulted in this paradox of poverty amidst plenty. It is within the power of man to alter the rules governing price and finance so that our increased productivity shall result in an increased comfort and higher standard of living for the community.

In this age of plenty, which is the result of science recognising no other laws than natural ones, it has been said that the only way to overcome our difficulty is to economise—to save more and to work harder.

It should be obvious that if enforced economy, thrift and hard work could save us, then Australia, after four years of the Premiers' Plan and six years of depression, should indeed be saved. Saved from what? Saved from prosperity. Economy and thrift may have been the road to national recovery in an age of scarcity before the machine age. But to imagine that such a policy is going to usher in an era of prosperity today, when the world is glutted with goods, is to say in effect to the producer that the less he sells the more prosperous he becomes. Less

fight for trade, would provide an irresistible object lesson in genuine progress and would be imitated everywhere.

Finally, you may ask why these modifications should not be made. For that, I am afraid, I must refer you to the Bank of England, which is all powerful in these matters. Mr. Montague Norman, the Governor of the Bank of England, which is a private company, described the relations of the Bank of England and the Treasury as those of Tweedledum and Tweedledee. I should not like you to suppose that I am accusing bankers of a wish to precipitate war. Far from it. I am confident that bankers dislike war

*only less than they dislike any change in a financial system with which, almost alone amongst other sections of the community, they appear to be completely satisfied.*

sales are the natural result of economy and savings. Increased consumption, increased purchasing power, is the solution to a problem of abundance, and not reduced consumption, as is being practiced.

Another conventional rule, which has assumed the proportions of a natural law, is that money, at least as far as the majority of people are concerned, must be distributed only through the wage system. To assume that it is a natural law, that only through industry can money be distributed, is to say that every invention which frees man from economic toil is a curse, because it throws people out of work and out of pay. Would it not benefit the whole community to alter this conventional rule of issuing money only in exchange for work, and pay humanity the wages of the machine, so that the products of industry can be purchased instead of destroyed? Until we realise that the principles of the man-made economic rules of the past age of scarcity cannot be applied to the present age of abundance we shall never solve our problems.

## A DIET OF DEBT

Modern historians are performing the invaluable work of dissipating the miasma with which the Whig historians of the last hundred years enshrouded history; and one of the chief sights revealed is the power over kings, governments, and people alike exercised by the force now known to the world, and half unmasked, as International Finance. Let us read with open eyes the new histories of the beheaded King's son, Charles the Second, before we say that kings should be abolished as being either worthless or out of date. And in these days when we are being assured, with every wile of every instrument of public propaganda that this octopus presses into its service, that banks are nothing but obliging parlours built expressly to look after our savings, and that they would not dream of lending any money except that given into their keeping—at these times, I say, let us look at history. Then we shall be able to perceive at least how some of these things began. They do not change their spots. And we shall perceive, at any rate, that the Bank of England came into existence, not because King William or his Government or his people wished to deposit money, but because they needed to borrow it. Then, as now, the banking system lived, moved, had its being, and found its power in one thing only—Debt. Its diet was Debt, and it thrived upon it, until today the measure of the world's helplessness before the Monopoly is the measure of the world's debt to it. —Maurice Colbourne, in "Social Credit."

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### "The Argus" Draws Conclusions

"The United States," said the "Argus" on Monday, "has introduced a new pensions plan; Germany has a deficit for the year of £28,000,000; in Hungary suicide is almost the greatest single cause of death. In all countries one problem gives rise to developments that represent its different aspects. Every nation is struggling to maintain or to improve the standard of living of its people." After going on to discuss something of the different aspects of this one problem in various countries, the "Argus" very truly added: "The mockery of the position is that the boasted standards that are being guarded so jealously by most nations are pitifully low."

Then, in that impetuous way that still marks it after twenty seven thousand odd issues, the "Argus" rushed headlong to conclusions. "Only one remedy," it said, "has been suggested, and only one seems to be possible . . . Some of the barriers must be taken down, shy capital must be coaxed into the market place again . . . and the obvious beginning, when many in the world are starving, appears to be a reduction of tariffs on foods."

Passing over for a moment that delightful touch, "only one remedy has been suggested," let us see what the suggestion of the "Argus" comes to. The emergence of shy capital from its burrow is to be brought about by waving cheap food before the entrance.

No country has enjoyed cheaper food than Britain, or, despite Major Elliot, still enjoys it. The Englishman can partake of Australian butter, sugar, meat, wheat, fruits—practically anything that will stand exporting from Australia, at far lower prices than those ruling in Australia. But is the Englishman thereby any the more prosperous? Is the question one of prices alone or of prices and incomes taken conjointly?

While the "Argus" would not for a moment openly admit that the trouble is an income shortage, yet it clearly indicates its knowledge that this is so. Else why the need to coax shy capital into the market place again? The job which capital is expected to perform is obviously not one of producing more goods for immediate consumption. Even the "Argus" must by now have heard that there is no shortage in that direction. No, capital is to supplement consumers' incomes by launching out on new constructional schemes, such as building activity, and thereby distributing wages without at the same time trying to sell for spot cash the goods produced through those wages. Capital, in other words, is to take up such portion of the slack as is not at present being taken up by our chronic doses of national debt.

But why not say so outright? Better still, why not have the honesty to admit at once that the whole litany of troubles, from the United States to Hungary, is based directly on a shortage of cash in consumers' pockets, and on nothing else?

### Another Victory for Mussolini

While the "Argus" is thus chasing its tail about world problems, the masterful Mussolini has dealt another body blow at Italy. "In order to reduce unemployment among Italian labourers," the cables report, "no mechanical means of any kind will be used in the next harvest. All the work will be done by hand."

One can well imagine if they lived in Italy, what a reception our Mr. Parkinson and our Mr. Evans would have received from the Duke. An accolade, surely, such as is usually reserved for the proud parents of a baker's dozen. And by way of reward, perhaps a dual post as Ministers in Charge of Harvest Transport. Indeed, it is difficult to imagine just what heights would be inaccessible to two heroes who had so nobly brought the wheelbarrow back to its own. If the Italian harvest, reaped by hand, were carted in barrows, one could see years of useful activity ahead of Italy's labourers—in fact, one could see the whole country becoming once again a nation of labourers.

One wonders, however, whether all the people of Italy share the views of Mr. Benightto Mussolini? Do any of them ever whisper to themselves: "Who shall dare set bounds to the progress of a nation?"

### Poverty and the Decline of Christianity

By R. JOHNS

Material welfare and spiritual advancement are so closely interlocked that as a rule the one can hardly be divorced successfully from the other. That the lack of material welfare has been in the immediate past and now is to a large degree responsible for the atrophy of the spiritual life of the world is exemplified by recent statistics relating to destitution and crime. These unholy twins are not only challenging the efforts of an ever growing police force, but are threatening seriously the established foundations of democracy.

The victims of enforced destitution, numbering millions, have taken a psychological set (unpremeditated possibly and unorganised) against a society which they know intuitively can, but does not afford them their just rights. Even the most conservative must admit that such action is not without justification, for the more the world advances in productive luxuriance; the tighter grim poverty fastens its death grip upon the multitudes.

If material welfare is of fundamental importance to spiritual advancement, the Christian Churches must delay no longer in instructing their flocks to demand from their chosen representatives in Parliament speedy and lasting security against this artificial and demoralising want which is now obsessing man's mind to the exclusion of all else. The Churches and the masses need not bother as to how this equitable distribution is to be effected; that is the work for the statesmen and technicians who are chosen and paid for the prosecuting of such duties; but the clergy must realise that, as William Gillies remarked, "If the cleverest of the citizens of an Empire keep the other

citizens from getting their just share of the good things of life, then the Empire and its Christian foundation are doomed." They must also from their pulpits let their people know that the age of scarcity is past, and that, by the God given brain and hand of man, the time of abundance is at hand. If they fail in this and leave the poor to their fate they are failing signally in their sacred office. Can they blame the people, then, if they turn a deaf ear to their spiritual importunities and embrace a doctrine expounded by those who, even if only for personal aggrandisement or for power, offer the masses some measure of lasting relief?

#### RUSSIA AND GERMANY.

Already the people of one mighty country, Russia, have placed the State above God, and millions have been lost to Christianity; and a neighbouring nation, Germany, has set up her new god. As recently as Thursday of last week it was reported in the cables, under the caption, "Attack on Christianity," that Professor Hauer, leader of the German Faith Movement, said in addressing a huge Nazi rally that the Bible and Churches were no longer necessary. The Germans needed no intermediaries to find their way to God. Instead of the Bible a history of the German people should be in every house. The study of the Bible should be

abolished and schoolchildren should not even be permitted to read it. They should be taught the German sagas. The Church had no right to participate in the education of the race.

And so the cleavage grows.

#### RESOLUTIONS OF PROTEST

In the past months it has been encouraging to note that certain dignitaries of the Christian Churches in Australia have awakened to the importance of distributing to the masses their just share of the communal abundance, not by charitable handouts, but by placing in the hands of the people money to claim goods in the ordinary way. These activities have been mostly confined to passing resolutions deploring the present state of affairs. As the whole fault lays on the distributing side these deprecatory resolutions should be presented to those in control of the distributing agency, the financiers of the country.

And from their pulpits, regardless of party or creed, the clergy should be advising their people to put into Parliament only those who pledge themselves to change this vicious system, which denies men what God has intended for them, a reasonable measure of material welfare, the only lasting foundation of spiritual advancement and Christian democracy.

### OUT OF THE MOUTHS OF EXPERTS A Layman Looks at Money

By ANTHONY SKELDING in *New Democracy*, U.S.A.

These are difficult days for economists, both amateur and professional. Scratch an ex-bond salesman almost any place and you'll find a budding economist. My favourite letter carrier quotes statistics from Father Coughlin, while the neighbourhood fishmonger (so I am informed by domestic gossip) has secretly joined up with Utopia, Inc. Even the gasman who calls regularly to read the meter, and who I suspect is an arm of the local public utilities corporation, has a plan. On busy street corners and in numberless office cubicles one may observe, if one is economically minded, small huddles of men engaged in serious discourse. Listen a moment and you'll soon discover, from the droppings of their newly acquired business terminology, that they are in the intellectual birth throes of balancing the national budget. Or, worse still, telling each other what they mean by—INFLATION. I know whereof I speak, for I have gone that way myself.

Of course all these national problems are concerned in one way or another with our country's wealth, actual and potential. And this wealth in turn can only be measured in terms of money. So we might quite accurately define money as a sort of measuring stick of wealth. It was with this kind of definition of money sticking in my crop that I recently invaded the financial district of the city to see if I could further clarify my mind on the subject of inflation. I went the rounds of my various acquaintances in the district, and I can assure the reader of this brief essay that it was a sweet runaround I got. I have not yet recovered from the giddiness.

#### WHERE TO GO

Now, if the ordinary layman wanted to find out anything he did not know about money he would naturally look among those who were professionally interested in the subject, bankers, brokers, financial editors, economists, etc. It was among these "experts" that my quest took me. . . but alas! as I concluded later, it is due to the confusions and contradictions of the professional school of economists that so much mysticism about money exists.

This confusion was perhaps carried to its peak when a short time ago some pundit of Wall

Street or State Street said, "Only Socrates and Alexander Hamilton knew what the mysteries of money were." Maybe this same pundit had been inspired by reading the press reports of an address by Gen. Hugh Johnson, ex-N.R.A. boss, in which he said, "Nobody knows what money is." The General is out now, and what he said may not count for much. Still, it does seem a little strange that our Big Shots in charge of the nation's business should so frankly confess their ignorance of the meaning of money. After such final pronouncements on the subject from the sacred sources of Wall Street it might even appear presumptuous for the economic wayfarer to persist in the quest. After all, if those who possessed most of the money in the country did not know any more about it than that, then one might as well chuck up the towel. Most of our Don Quixote's do just that, which is why the mystery of money is kept.

Still, these are depression days, and as the subject of money concerns us all, a little further pursuit of the mystery can do no harm. The amount of intellectual energy that is spent on mystery fiction might well be more profitably employed in the pursuit and detection of financial fictions. Such a vogue for our leisure hours might be called "the pursuit of popular economic definitions to their lairs." As a pioneer in this new vogue I have been, morally speaking, somewhat battered. Nevertheless there is fun enough to keep you going if you can stand the gaff.

#### THE BANKER.

The first person I approached was my banker. In answer to my request for a definition of INFLATION he said, "Inflation is any kind of artificial interference with the currency system."

This reply, being a little vague, did not entirely satisfy me. So I probed a bit further by qualifying the banker's answer. "I presume," said I, "by that you mean, Government interference."

And he came back quickly in confirmation, "Yes, that's precisely what I mean."

Well, that was a little more definite.

#### THE FINANCIAL EDITOR

I left the bank sanctum of marble floors and painted murals of

progress, to step across the street into the office of a well known financial editor of a conservative daily newspaper. To him I put the same query.

He paced his office a few steps, then looked out of the window for inspiration. "Well, I should say briefly that inflation usually means printing press money." Then he reflected again. "Of course," he added, "there can also be credit inflation."

Having asked him what the difference was, I received in reply a barrage of words, amounting in substance to this: "Credit inflation is bank reserves increased through the addition of Government securities, bonds, and other forms of financial collateral not now in use by the banks as commercial credit."

I ventured to qualify his explanation further by saying, "Then by inflationary credit you mean huge sums of money reserves held by the banks for credit purposes, but with no prospective debtors forthcoming to borrow the money? In brief, money which might be credit but is not?"

My editor friend raised his eyelid a little at this reply. "Well, if you put it that way, I suppose that is about what it is." Sometimes, he said, he referred to these huge bank reserves as "Plethoric Credit."

I said, "No matter what name you call a haddock it is still a fish." Which retort reminded my editor friend that he had an engagement for lunch.

#### "THE NEW YORK HERALD-TRIBUNE."

When I got back to my office I looked up a recent copy of *The New York Herald Tribune*, in which the editor of that highly respectable paper expatiated for half a column on the subject of inflation. Such information coming *ex cathedra* from the home of big money must, of course, be final. There it was, flat, so that no layman might go astray in the sea of inflation: "Should the Government's policy of financing its huge deficit by credit expansion bring a serious rise in the cost of living, most economists would agree that the country was witnessing inflation." Here we are getting closer to realities. A rise in the cost of living was inflation.

Then the *Herald Tribune* editor went on further to explain, "This discounts the notion that the Government has not embraced inflation until it has had recourse to the printing press." Here we were back again at the old printing press idea. If you cannot knock your opponent over with a brick, spatter him with an overripe tomato. I refer, of course, to the alternate platitudes now rampant in the minds of men who write about money: printing press and credit inflation. From the banker's point of view any kind of managed currency is inflation: Government managed, of course, and not privately, as at present.

The difficulty here, as I see it, is that in many respects money is like religion; it is impossible to write about it without injecting one's own prejudices. Mine are no doubt here in this brief essay, but so also are the financial authorities' in what I have quoted. For the most part those who tell us in public papers and elsewhere what to think about the subjects of money and inflation have a stake in the issues involved. This business of defining economic terms is a delicate one. Is the economist you employ to supply you with orthodox or heterodox ideas? Are you a creditor or debtor to society? There's the rub! For the fact of the matter is today, that our professional economists represent the money control in the system. They are group economists represent the money control in the system. They are group economists, and must be loyal to their client, the present money system. But since this very system is gradually strangling most businesses and individuals in the United States with debt, what has the rest of the country to gain by adherence to the old ideas? Besides, these ideas are sadly outmoded and can no longer be fitted to the facts of business today.

## JUST A PART OF THE SWINDLE

By BRUCE H. BROWN, in the "Castlemaine Mail," June 21.

All the political "leaders" are pleading for a wider subscription list in the Commonwealth Loan, which is now open. Mr. Casey, The Acting Federal Treasurer, is making a strong appeal for the "general public" to subscribe, while Mr. Dunstan, the Premier of Victoria, has gone so far as to say that it is the "duty" of the citizens to subscribe.

This Loan will add to the already overburdened taxpayer the responsibility of finding another half a million annually for bondholders, a procedure which is entirely unnecessary, and simply means that we are being forced to pay for using what we already own.

There are two reasons why so much energy is being displayed in trying to persuade the "public" to subscribe. The first is that although the public can only subscribe a very small portion of the loan, this small portion spread over a reasonable number of individual's acts as a screen for the many millions of pounds subscribed by the Banking System without cost to itself, for it

### GOOD NEWS FROM BRAZIL.

The "Sun" of June 21 conveyed the pleasant news that at last the scandal has ceased of dumping Brazil's "surplus" coffee in the ocean.

Henceforth, it appears, employment is to be given to men in mixing it with tar and making it into briquettes for fuel!

obtains the bonds by the use of credit-money, brought into existence by the simple process of writing words and figures in books. The second reason is the shrewd use of psychology, for each subscriber of even £10 automatically becomes a keen fighter in defence of the Loans and the system which breeds them, even though the great bulk of such loans is represented by the morally forged credit money referred to.

Every political party is wedded to the same procedure, and, although they are getting away with it at present, the time will come when they and their actions will be remembered with shame.

Not even the Labor politicians, who are supposed to speak for the "toiling masses," have yet awakened to the power, which subdues and enslaves the masses, or to the people who are exercising that power.

Consider it this way. Money is necessary to get things done. No matter how well supplied the community may be with materials and labour, it cannot make use of them without money. It was because the money supply fell away after 1929 that so little use has been made of our increasing production and abundant labour. At last Mr. Casey has been forced to admit this, and now acknowledges that if we are to keep the depression "on the run" the Government must spend money. So they must, but it should be money which the nation itself creates and not debit-money obtained from a private monopoly.

### WHO HAS THE SAY?

One would naturally think that all money must have its source and "backing" in the assets and activities of the community, and naturally also one would think that only the community's chosen representatives would have any say in the creation of money, particularly when money is the thing which controls all other things. Instead of this, however, the very persons who have been elected to control these matters, and who for all practical purposes are the community; cravenly submit to the usurpation of control by a private monopoly, without money. Government is farcical and abortive; so that, as things are, the very existence of any government, irrespective of its political colour, depends absolutely on the approval

of the private financial dictators. Did not Mr. Montague Norman in 1931 say to the British Prime Minister, "If Snowden goes, the Government goes"?

Having thus betrayed us to the money manufacturing monopolists, our Governments have proceeded to "borrow" what they already actually own. This action in itself proves four important things, as follows:—

1. That governments hitherto have looked upon money as something, which cannot or must not be increased in quantity;

2. That it is idle for farmers or anyone else to produce more or to work harder while that attitude is accepted;

3. That governments, by going to the "money market" for funds, acknowledge the control of governments by the controllers of the money market;

4. That it is impossible for the community to function adequately unless governments spend more than they obtain from revenue.

It is at once obvious, therefore, that so long as Finance is allowed to control everything, and so long as the control of Finance is permitted to remain in the hands of a private monopoly, so long must our progress be retarded and the community forced to suffer needless distress.

### WHEN GOVERNMENTS BORROW

It is becoming increasingly realised that not a quarter of these so-called "public loans" is actually subscribed by the public, and it has been officially admitted that when governments "borrow" in this way they do not get "cash." They get cheques. When members of the public subscribe, they take their money to a post office or to some other receiving agency. They receive a receipt and their money is banked in the ordinary way. In most cases they pay by cheque, but a few do pay in cash. All that happens then is a little bookkeeping at the bank. Figures are transferred from one account to another in accordance with the particulars on the cheque and the cash goes into the till. Applications are then assembled and forwarded to the Treasury with a cheque covering the lot, including the amount "subscribed" by the bank itself and its allied financial institutions. Do you appreciate the significance of this? The "cash" received from the public increases the banks' cover for credit and enables them to write up more credit money as their own property, while the cheque from a customer simply transfers a liability from the bank to the Government. Not a bad arrangement for the banks, of course!

### FEATURES OF THE SWINDLE

One of the most iniquitous features of this part of the money swindle is the exemption of the loan interest from taxation. Apart from the small portion subscribed by the public, the financial houses will be in on the loan with their bank-created pen and ink money, and will get the additional advantage of having the income from interest free of tax. This means that the mass of the people who have nothing to put into the loan will be bled further to make up what these money monopolists escape. The people will thus be obliged to shoulder not only their own share of this false burden, but also the share dodged by the manufacturers of credit money.

Although the Commonwealth will get 12½ millions of new money from the loan, the total amount of "cash" in Australia will not be increased by as much as a £ 1 note, but the proportion of cash in the hands of the banks will be increased to the extent of the cash surrendered by the public. Clearly, therefore, the transaction will simply mean the extension of credit to the amount stated. This "credit," as we have

previously shown, consists wholly of names and figures in bank ledgers, but is based on the assets of Australia. As credit could not exist without those assets, and as those assets are owned by all of us, the credit must, ipso facto, be the property of all of us as a collective community—i.e., the nation. Thus, when governments "borrow," they only receive what they already own, but for some inexplicable reason pledge us, the people, to the payment of tribute in perpetuity to a few private individuals and families, who are the main beneficiaries of this writing-up of credit-money. Does any word other than "swindle" fit such a proceeding?

### WHAT FARMERS DO NOT SEE

After having produced goods of real value in abundance, farmer supporters of Mr. Dunstan and the United Country Party are literally standing destitute in the midst of that abundance; and the peculiar thing about these farmers is that they cannot or will not see that the relation of money tickets to price tickets is not balanced under the present system as controlled by a private monopoly. Put in other words, the farmers do not see that the total prices of the goods available greatly exceed the total of the money received by the people as incomes. Bankers and their paid economists either deny this or equivocate about it; but we have only to look at the ever-mounting public debt and the frequency of the floating of loans to see one of the obvious proofs of it, for such loans are an attempt to provide industry with the where-withal to liquidate its costs. This is done with a callous disregard of the fact that it imposes on the nation a false, grueling burden of debt, which is not expected to be mentioned in polite society.

The very reasons given by Mr. Casey in support of the Loan prove conclusively the need for the volume of money to be

### WHAT 27 YEARS HAVE SEEN IN THE RUBBER INDUSTRY.

The first rubber motor-tyre was manufactured in Australia in 1908. It had taken a week to make, and when it was finished the owner of the factory had expressed a hope that the output would eventually be at least 400 tyres a week. Many of those assembled that night could manufacture 100 tyres a day. — Mr. M. Kennedy, Secretary of the Rubber Workers' Union, June 22.

increased in harmony with production and community requirements, and the absolute necessity of this additional money being created and brought into circulation as the property of the Commonwealth—not as public debt.

### LOANS AND DEFLATION

Another aspect of this "public loan" business is the way in which it is used for deflationary purposes and to further deprive the community of its democratic power. In "The Age" of the 8th inst., Mr. Casey admitted that the object of the Financial Agreement was to afford greater security for the public debt, and to require each Government to pay into a sinking fund. These sinking funds payments represent money taken from the people through taxation and withdrawn from circulation. Government bonds are obtained by the financial institutions by the simple process of bookkeeping entries, but in the case of the citizens they can only be obtained by the surrender of money. Banks know that the credit power of the people is the power given them by the possession of money. When the people are deprived of their money they are deprived of their power, and so they are persuaded to hand over their money in return for bonds giving them claim to other money in the form of interest.

As this interest is collected from the people through taxation, and means that they must be deprived of a substantial portion of their purchasing power, it is evident that besides overburdening us with debt, these bonds also intensify the deflationary activities of the financial institutions. There is no need whatever to take from citizens any portion of their all too little purchasing power for purposes of government, and this policy of deflation must be ended. Governments must create money, not borrow it.

It seems never to occur to the "leaders" of our day that the ticket box of a theatre should have as many tickets as there are seats available. There are heaps and heaps of goods for which there are no tickets of claim—i.e., money.

Was it a dawning sense of shame that caused the last meeting of the Loan Council to be held in secret and Mr. Casey to say "too much information is getting out"? What else could it be in the face of the fact that notwithstanding the strictest economy and the robbery of farmers, pensioners, and public servants during the past five years, our national debt has increased by £150,000,000?

President Roosevelt has appointed a new governor of the Federal Reserve Bank in the United States. Upon taking over his duties, the new governor (Mr. M. S. Eccles) said:—

"Orthodox economics are out of date because they were meant for a situation in which famine and scarcity were normal conditions in mankind's struggle against the forces of nature. They were meant more for a debtor nation than for a creditor nation. The need now is to spend and consume and thereby use up the overflowing abundance, which we can produce. *Mass production must be accompanied by mass consumption.* The doctrine of thrift, economy, and efficiency, and the laying-off of men to increase the production of those who are employed without balancing the power of consumption, is unsound and can only lead to destruction. We must realise that the economic process by which society is held together is the exchange of services. The end of production must be *consumption.*"

Please read that again, noting particularly the part we have emphasised, and remembering that consumption can only be made effective by the use of money tickets. The doctrine of thrift and economy, by which alone most people could ever subscribe to "public loans," has been proved detrimental to the nation's progress. It is no use producing anything unless the people are able to obtain it.

And now please note the following extract from the "Outburst," a paper published by the staff of the Bank of England:—

"We of the banking system are the direct servants of a power that is absolute at present. The credit structure today is mainly a system of figures in books, and we have become so bemused with the apparent importance of these symbols that we are in danger of losing sight of their real purpose, which is to transfer goods and services to those in need of them. The real position of banking is that of a bookkeeper or recorder, but banking has assumed today the complete (but unrealised) dictatorship of industry and the community. *It is time the community took back into its own hands the right to issue credit.*"

From this it is clear that the bank staffs appreciate the facts and are truer citizens than those who determine bank policy. While we are willing to subscribe to these "loans" we are perpetuating the money swindle against ourselves, as we have been telling you for nearly two years.

## STRAY THOUGHTS ON THE MOTOR SHOW

By "EXHAUST."

Once a year, when times are said to be prosperous, the motorcar merchants display their wares at the Exhibition Building. The attendances at the show are always tremendous, and give us an idea of how machine-minded we are. The celebration of the old coach drivers brings home to us our good fortune in living in this generation of comfortable travel, when even the cheapest car in the show is deluxe compared with the old Cobb coach. It makes us realise what husky men our grandfathers must have been, driving around in their open buggies. But what hits us in the eye is that our grandfathers all seemed to have buggies, while most of us have to go home on the tram.

The visitor to the show gets a real thrill when a salesman mistakes him for a buyer. It is necessary only to peep at the back axle of any car to attract a salesman. Salesmen, it is said, are born; they can tell who is a buyer and who is not—but peeping at a back axle is a bit below the belt. It brings forth catalogues, specifications, offers of free rides, and all sorts of inferences as to why every other car in the show has inherent shortcomings. Salesmen, nowadays, don't make statements of this kind. They only infer.

Some cars, it appears, are superior to others because they are streamlined. They go faster and farther on less petrol—a most disloyal act in these days, when Governments need revenue, and when Australia is fighting for her existence to find employment for garage men who sell petrol. Perhaps, however, the reduced demand for petrol service is compensated by the increased number of accidents, with ambulance and hospital attentions that create employment.

### FINANCE AND HORSE-POWER

The outstanding feature of the show, as usual, is the extraordinary difference between English and American cars, in that English makers go in for low horsepower while their American cousins do the opposite.

This seeming phenomenon has quite a simple explanation, the reason being that in England the registration tax is based on the horsepower of the car and is very steeply, graded as the power increases. Consequently English makers had to set out to beat the tax, and they evolved the low horse powered, high-speed engine car. This type of automobile is practically unknown in the U.S.A., where the taxing formula is similar to the one we have in Australia.

On locomotives, aeroplanes, and steamships England does not impose such horsepower taxes, so in those classes of transport she closely resembles America. It therefore seems that the British people are using low horse powered cars because of the

### GOOD OLD BRITISH JUSTICE.

The Government, said an Indian army officer to the Legacy Club in Melbourne on Tuesday, in an effort to stamp out "murder" societies in the Indian Border territory, had formed what was now known as the Indian Criminal Investigation Branch. Punishment for offenders was swift and effective—the guilty man being tied to the end of a cannon mouth and blown away.

financial restrictions in England, and the reason why America dominates the Australian market—Britain's share, it is announced this week, has dropped back to 28 per cent—may be found in this consideration. This may not have escaped the notice of Lord Nuffield during his recent visit.



## BRITISH ROYAL COMMISSION ON ARMS

### Home Secretary Holds 3000 Shares in Vickers, Says Witness

The Royal Commission on the Private Manufacture of and Trading in Arms met again on Wednesday, says *The Manchester Guardian Weekly* of Friday, May 24, at the Institution of Mechanical Engineers, Westminster, this being its second public sitting, which is to be followed by two others on successive days. Sir J. Eldon Bankes presided.

#### ADVISER TO VICKERS

The first witness was Sir Eustace D'Eyncourt, consulting naval architect and engineer, and adviser to Vickers Armstrong, formerly Director of Naval Construction and Chief Technical Adviser to the Admiralty, who said that as a result of some fifty years' experience in his profession his considered opinion was that to abolish the private manufacture of arms altogether and put the whole thing under Government control would not make for efficiency. Among his reasons for arriving at this conclusion was that in private firms there is an incentive to individuals to find new and improved devices, a consideration that he said does not exist to nearly the same extent in Government Departments.

"It is of the utmost importance," he said, "that the country should be able to draw upon the genius and skill of men outside the service for new developments."

*and thus obtain the most perfect and efficient material for war purposes.*

If supply of material were left entirely in the hands of Government establishments we should achieve the production of material of a sound and stereotyped kind but of an average mediocrity.

Major J. W. Hills, M.P., who appeared at the witness table with Captain John Loder, M.P., explained that, though he is a vice-chairman of the League of Nations Union, he was not claiming to speak on behalf of the committee, though he had consulted one of its members.

He said the private manufacture of arms is attacked on the practical ground that it encourages war, and on the moral ground that it is wrong to make a profit out of killing.

"Nationalisation," he said, "by which we mean the system outlined by Lord Cecil, is proposed as a remedy for both. We consider that licence and control of manufacture and of traffic would at least do as much to prevent war as would nationalisation, and that it avoids the evils of the latter."

The assumption underlying nationalisation was that trade in general was free. But there was at least one country, Major Hills said, where even now all production was in the hands of the Government; every factory, therefore, in that country would be a factory authorised to produce arms, while in other countries only Government arsenals would be in the position in which every factory and shipyard would be in a country where all production was nationalised.

He further pointed out that armament factories now do not make arms all the time—possibly nine-tenths of their output was civil goods. In this country, at any rate, a State factory would have to make arms and nothing else all the time. Public opinion would not allow an enterprise financed by the Government to compete in building merchant ships or bridges, for example.

"Profit in arms may be wicked, but the problem before statesmanship is not one of general rectitude but how to make the world more peaceable. Before rationalisation is adopted it must be proved that it means peace." It failed on the practical issue, and he could not see that it solved even the moral difficulty.

#### CASE FOR NATIONAL PEACE COUNCIL

In a striking speech, which engaged the close attention of the court for an hour and three-quarters, Mr. W. Arnold-Forster put the case on behalf of the National Peace Council and other organisations.

The Peace Council and associated organisations submitted that the motive of private profit afforded a stimulus to armament production which was socially injurious, that so long as national armaments were required their supply should be limited and regulated under thorough supervision, and that the manufacture of casualty-producing weapons should be taken over by the State.

In their view this suppression of manufacture by private enterprise should not wait upon a general agreement in favour of suppression, but should be carried out within a system of international supervision.

"I hope that if and when adequate publicity is given to the operations of British firms in this trade, it will be found that the British arms trade, whose export business is the largest in the world, has a cleaner sheet than that of its competitors and collaborators in other countries. But I do not know; none of us knows. At present, therefore, it is inevitable that most of the illustrations available concern non-British firms."

He submitted, as the first and most important of his points, that *firms which make and sell armaments for private profit must desire conditions in which there is an effective demand for their products,*

and this motive force, operating under present conditions, must have the effect of promoting an expansion of sales of armaments and of impeding agreement upon that all-round reduction of armaments which the world urgently needs.

"May I point out how difficult it is under the present system to disentangle the interested from the disinterested motives?"

"At present a newspaper company, a newspaper proprietor, or a writer for the press, a Member of Parliament, and even a member of the Government, can buy himself shares in firms whose profits depend largely upon orders for armaments from the British and other Governments."

"In pointing out this feature of the present system I emphasise that I do so without the intention of casting any aspersion upon any individual who may be in a position to influence public policy whilst deriving profit from the sale of armaments. But I do maintain that, so long as such holdings can be owned by Ministers of the Crown and members of Parliament, the advocacy in Parliament of an active policy of general reduction of armaments must be to some extent in danger of being tempered by consideration of the private interests involved.

#### HOLDINGS OF CABINET MINISTERS.

"I submit also that it cannot be healthy for the repute of a Government if it is known that Cabinet Ministers may be in a position to benefit personally, however slightly, from the breakdown of disarmament negotiations and from the placing of orders with armament firms by their colleagues who speak for the fighting services."

"It cannot, for instance, be good for Anglo-American relations that Mr. Selden, correspondent of *The New York Times*, should be able, apparently without inaccuracy, to report to his paper in March of last year (*New York Times*, April 1, 1934) that 'Sir Philip Cunliffe-Lister, Minister of Colonies, and Sir John Gilmour, Minister of

Home Affairs, were referred to at the meeting [he was referring to Vickers' annual meeting] as Vickers' shareholders. Neither was present, however. Like the other members of the Government both these Ministers have been busy this week in Cabinet sessions attempting to solve the disarmament deadlock before the Easter vacation.'

"I should add that according to the returns in Somerset House the Home Secretary is still shown so lately as April 16, 1935, as holding 3066 ordinary shares in Vickers. I hasten to add that the Secretary of State for the Colonies still appears as the holder of a small parcel of shares in the same company. It is of nominal size, 25 shares only."

"It may easily happen, no doubt, that busy Ministers may have overlooked their holdings of this character. It may even be that the holdings are only nominally registered in their names. In any case, I do not believe that the policy of Ministers has been affected in any degree by the fact of their holding such shares. But I do suggest that

#### GETTING LANCASHIRE ON TO ITS FEET.

*After many weary months of planning, the committee charged with preparing a scheme to 'rehabilitate' the Lancashire cotton industry is urging the British Government to proceed at once with a proposal it has drawn up. The genius of this lies in scrapping or scaling 10 million spindles, the cost of which will be met by a levy of £180,000 a year for 15 years.*

*How the reduced employment resulting will enable the public to buy more cotton goods, or the industry to stand the additional levy is not explained. But that, of course, is only a matter of monetary de-tail. And as money has obviously nothing to do with Lancashire's present plight, any such trivialities would naturally be beyond the scope of the committee.*

there are objections to a system in which two interests, the one public and the other private, may be so closely intertwined."

He submitted further that the present system lends itself to the formation of rings, national and international, between the armament firms, and this must involve the danger that these firms will play into each other's hands in stimulating the demand for orders and in forcing up prices against the taxpayer.

"Great armament firms, such as Schneider, Creusot, Skoda, and Vickers Armstrong, are," he said, "in many respects colleagues in the supply of killing power to the world rather than rivals and great manufacturers of chemicals, explosives, and poison-gas, such as I.C.I. here, Du Ponts in America, and the I.G. in Germany, as in much the same position."

He suggested that inquiry is desirable as to the nature and consequences of the agreements between Vickers and the Electric Boat Company and between I.C.I. and Du Pont, concerning which texts and particulars were published in the American inquiry.

#### The Caprices of Credit

"To hear some of those worthy reasoners talking of credit, that she is so nice, so squeamish, so capricious; you would think they were describing a lady troubled with vapours or colic, to be only removed by a course of steel, and swallowing a bullet. By the narrowness of their thoughts, one would imagine they conceived the world to be no wider than Exchange Alley. It is probable they may have such a sickly dame among them, and it is well if she have no worse diseases, considering what hands she passes through. But the national credit is of another complexion; of sound health, and an even temper, her life and existence being a quintessence drawn from the vitals of the whole kingdom."—Swift

## HERE, THERE AND EVERYWHERE

By WILLIAM BLACKSTONE.

The writer admits his obligations to the daily press of Melbourne, Sydney and Wuk Wuk North, as all of the following items are inspired by his readings of the eminent journals published in those centres.

#### IS YOUR NAME MUD?

Then you are a member of a great and far-flung clan. Your relatives are in every country and in great numbers. You carry out vast schemes of internal development, fight wars, earn huge sums of money (for somebody else) and in return receive about half of the amount that is necessary to keep yourself and your family alive. Although you are not aware of it, you have now functions that were formerly the prerogatives of Royalty. Without the O.K. of the Spanish monarchs Columbus would not have sailed for America, and the sailors of Henry the Navigator would not have charted the African coast. But you send your legislators, as explorers, into the wilds of London and New Guinea. You are greater than the ancient rulers because you foot the bills without even a possibility of benefit or profit for yourselves.

#### Next Week—GOAT.

\* \* \*

[Australia's credit has never been higher than now.

The whole world admires the way in which Australia has faced her liabilities and met her obligations.

(See daily press anywhere twice daily or any member of the Federal Cabinet bi-weekly.)]

In striking confirmation of the above extract we publish this excerpt from a new novel by that famous writer of Western stories, Mr. Insane Bray.

The stranger attracted all eyes as he strode to the bar. His alert eyes, his manful stride and his wind-burned countenance would have been enough to stamp him as a son of the vast open spaces without the corroborative details of the great guns that swung on his thighs, the smaller ones that rested on his chest, the derring in his waist-coat pocket, the hafts of bowie knives protruding from his boots, trousers and shirt cuffs, and the small but serviceable axe that hung on his belt. Even in more distinguished company than the habitués of Carpenter's saloon he would have been remarkable.

"Licker up, boys. The drinks are on me," said the stranger, casting a note on the bar.

In a second the faro, sweat, Catherine, and waterwheels were desecrated. The crowd surged to the bar.

The barkeep took up the note, cast his eye upon it, and said, "This ain't no good."

"You're tellin' me," said the stranger, and the barkeep quailed before the glance of those steady eyes.

"The boss," he said, "him—indicating Carpenter, who strode from the back of the saloon.

"Stranger," said Carpenter, "them notes don't go here."

"Them notes," said the stranger, "goes everywhere. That there note says that the Treasurer of the Australian Commonwealth will pay in gold the sum of one pound. That there Treasurer, when he found he couldn't do that, substituted other bits of paper for that one, and he honestly chopped out the mention of gold. That there Australian people sends a bloke name Bruce to England to do somethin' about their interest. He don't do much, but they assumes in his favour that he does. They sends half their flamin' Cabinet to London and other places, and keeps 'em there. They mortgages themselves to the banks, lives on half rations, produces stuff they can't sell or buy, and they still keeps makin' notes like this—or nearly so. Brother, I've got seven guns here that says that there note is worth all the hogwash you sells for liquor in this saloon."

Public opinion was strongly with the stranger—not only had they read Joe Lyons on the question of credit, but the house had never turned it on yet.

Carpenter, however, was made of stern stuff. "I says you're a liar. There ain't no people so half-witted," he said fiercely.

Instantly the spectators removed themselves from the area of combat, leaving the opponents face to face. For a moment Carpenter stood, then with an invisible movement his hand, flashed to his gun. Like a striking jaguar the stranger's hand moved. The shots crashed out together. Carpenter swayed, then . . .

(The next thrilling instalment of this fine tale will be given in our 200th issue.)

\* \* \*

The Douglas Credit system has now been twice investigated by Commissions, and has not been approved of or adopted. — (Daily Press, see above.)

Similar Royal Commissions have investigated various problems without result, but this reminds us strongly of that Royal Commission on Ireland which was described by Daniel O'Connell as a jury of butchers trying a sheep for its life.

#### TO OUR READERS—

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# THE STORY OF MONEY and Its Management

(Continued from last issue.)

## INTERNATIONAL TRADE.

Another means, which has been used in the past to tide over the mathematical shortage of money, has been the process, which is colloquially known as passing the buck. If your own community cannot buy the goods, which it produces, you must endeavour to dispose of them abroad through one-way international trade.

It would perhaps be well here to outline the manner in which international trade is conducted. In its essence it is similar to all other types of trading. In its primitive form we see the ship loading copra and paying for it with bangles. In its modern form, as in all other modern forms of business, bank credits play a part of very great importance.

If an Australian farmer wishes to sell his wool to an overseas buyer, he can, and usually does sell it locally, and he is paid for it in Australian currency or by a cheque drawn upon an Australian bank. But how does a foreign buyer obtain the means of payment in Australia, since his money in his own country is reckoned in francs, or marks, or whatever may be his native unit of currency?

The process is quite a simple one, for the banking system is now international. His deposit in his own bank abroad is translated into its value as expressed in our money—which is done by reducing both to their price in terms of gold—and, through a bookkeeping debit and credit between banks, it is entered in his name as a deposit in a bank here. The reverse applies in the case of an Australian buying abroad.

Subsequently the banks, through an international extension of the clearinghouse principle, settle their marginal bookkeeping differences between themselves. But, as there is no universal unit of currency, these international differences have to be composed by the exchange of commodities, and gold bullion, the commodity which forms the basis of most token money and credit systems—and which is therefore the most universally accepted of all commodities—was originally used for this purpose.

## THE "FAVOURABLE" BALANCE

But here an obvious difficulty arises. Since England became industrialised, she has sold to other countries far more goods than she has bought from them, largely by means of the purchase of primary foodstuffs or raw materials, and the resale of the same articles in their manufactured and more expensive form, until the sum total of the differences amounted to a figure in the vicinity of £7,000 millions, or about three times the total amount of gold that is known to exist. And the same thing has happened, in varying degrees, with other industrialised countries in their dealings with primary producers abroad. How have these transactions been financed?

By means of international debts, or, to give them their more dignified name, foreign investments.

The more highly industrialised a country becomes, as we have seen, the more it needs to use bank credit in order to make up for its shortage of metal money or of currency based on metal. And in line with this progress the number of items will increase which are changed into prices without at the same time being distributed as purchasing power to enable the people to buy the goods they produce—such as plant and depreciation charges, industrial reserves and accumulations of unspent money. Hence the industrialised country quickly reaches a critical stage where goods begin to pile up for which no sale can be found in the home market.

England, which led the world in mechanised industry, was the first to experience this crisis. Accordingly she set the fashion in foreign investments, or in exporting annually goods to a higher value than those she imported. Thus, most of our government railways have been built with material imported from England, enabling the English steel trade to keep working at full pressure, even though the lot of the English workers was not improving to anything like the extent it should have done.

## HOW INTERNATIONAL SETTLEMENTS ARE MADE.

You will remember that, whether the buyers of these goods exported from England were overseas citizens or governments, the sellers of the goods were paid in their local market and in terms of their own currency with money made available by their banks.

Suppose, for instance, that in a given year English manufacturers sell to Australian buyers goods to the value of £60 millions, and that Australian farmers sell to English buyers produce valued at £50 millions. The position will then be that English banks, acting on instructions from Australian banks, will have paid out £60 millions to sellers of English goods and received back only £50 millions from those who bought Australian goods. With the Australian banks the position will be the opposite—they will have received £60 millions and paid out £50 millions. On an adjustment of accounts Australian banks will therefore owe English banks £10 millions.

This will be settled in one of three ways:

1. If there is enough gold for sale in Australia our banks will buy this and ship it to England, thus squaring their ledgers. But generally there will not be enough gold.

2. It may happen that Australians have sold goods valued at £12 millions to Japan or some other country or countries, and bought only £2 millions' worth in exchange, in which case our account will be balanced by a transfer of this debt through the international clearing house. If each country bought and sold to the same total extent in its foreign trading, even if individual countries did not exactly balance with one another, the general balance would work out correctly. But if any one country sells more abroad than it buys, then obviously some other country must finish up in debt. Our experience in the past has been that we bought from England (and, to a much lesser extent, from the United States) goods to a far greater extent than we were able to sell in exchange. We were therefore compelled to sell to our other customers—such as Japan, Germany, France, Belgium, and Italy—far more than we bought from them, and to transfer our annual credit balances to England. In this way we have naturally given great and just offence to these countries, which is now being brought home to us in our loss of trade with them.

Even with these adjustments, however, owing to a ramp worked against us, which need not be gone into here, we have not been able to balance our foreign trading ledger—which brings us to the third means of international settlements.

## THE INTERNATIONAL LOAN

3. If the Australian bank owes a balance to the English bank, and it cannot be settled otherwise, then the international loan must come into operation. This is done by the Australian bank making available on loan to some individual, corporation, or government in Australia the amount which it has earmarked as due to the English bank, and giving the English institution the I.O.U. Thus it comes about that English funds are said to be invested in Australia. The Australian borrower will, of course, generally be the Commonwealth or a State government or some corporation, which has security acceptable to the English bank, such as a Metropolitan Board of Works. Or the funds may be invested in some of our best pastoral or mining properties, or in some sound industrial concern. Naturally, the most attractive of such private investments will be those, which savour of monopolies.

In England, this Australian investment may either be taken up by the creditor bank (or banks) or it may be let out wholly or in part to insurance or other companies or to private individuals. You will note, however, that it begins as a debt between banks, and the allotment of it will be a matter to be arranged between those institutions.

Of the results arising from these unequal dealings in international trade, several are manifestly absurd. Looking at them from the Australian, or debtor's point of view, we must remember that in the first place we incurred these debts (in so far as we really incurred them) by buying English goods in preference to our own. We imported an undue quantity of English locomotives, for instance, or English rails—in quite a number of cases to build railways of which the desirability was, at best, problematical. We then, in order to pay for these excessive imports, handed over the ownership of some of our especially selected enterprises. Thus, if we wanted mining machinery, we bought it from England and paid for it with the mine, leaving our own workers, who could quite easily have made the machinery, to be winchmen for oversea masters instead of owning the mine themselves. Or we left them to be shearers or boundary riders on pastoral properties, or workers in foreign-owned factories, and so on.

And in the case of our national and corporation loans we laid a millstone of perpetual interest round our necks, so that in numbers of cases we have now reached the position where such enterprises as Water Boards are paying out three-quarters of their annual income in interest.

From the point of view of the creditor, these transactions are now proving quite as unsatisfactory. As the debts of unbalanced trading increased, the annual interest burdens became terrific. In the first place, debtors were compelled to impose higher and higher tariffs against the goods of their creditors, in the endeavour themselves to export more than they imported, so that they might be enabled to pay their foreign interest bills. Ultimately all such means proved vain and debtors found that the only way they could pay was by means of fresh loans, thus compounding interest.

## REPUDIATION.

The final upshot was inevitable, and we are witnessing all over the world today, repudiations of international obligations. In some cases (such as Soviet Russia) these have been deliberate. In

others (as in England's debt to the United States) the non-payment has been forced upon the debtor by the inability of the creditor—under the un-sound money system that first caused the debt—to accept payment in goods. It seems certain that we in Australia must, ere long, be forced to take the same action as England.

Summarising the system of "favourable" trade balances, therefore, the position amounts to this:

Because the money system did not make available to the citizens of a country sufficient purchasing power to buy their own output, they were forced, amongst other devices, to get rid of the un-saleable excess abroad. It followed from this that before long all countries, including debtors, had to export more than they imported—an obvious impossibility. Every country is thus observed desperately trying to rid itself of its real wealth, not in exchange for other forms of real wealth, but for pieces of paper—either I.O.U.'s or receipts. Creditors sustain their debtors only by fresh loans. Some debtors repudiate—it has been estimated that, previous to 1914, England lost £3,400 millions of her foreign investments, and in common with other creditor nations she looks remarkably like losing the rest. Some debtors are willing to pay, but cannot, for the creditor bondholders want payment in money, which means that an excess of debtors' goods must first be sold in the creditor country—to people who had not originally enough to buy their own output. Hence, both in debtor and in creditor nations, millions are in destitution while foods waste, production is restricted, and destruction subsidised.

## THE "FLIGHT" OF CAPITAL

Before considering the next manner in which added purchasing power has been created, it may not be amiss to point out here a newspaper absurdity of which recently we heard a good deal in Australia. This is the so-called flight of capital. We have repeatedly and solemnly been warned by certain press organs, as a means of keeping our steps on the path of financial rectitude, that any unseemly behaviour on our part may lead to a flight of capital or the withholding of fresh capital from abroad. It has just been shown that the coming in of foreign capital simply means an excess of imports over exports. And a flight of capital can take place only by reversing the process. Capital within a country can fly from place to place. If it wishes to discredit with the ignorant an inconvenient political leader (Mr. J. T. Lang, for instance), the Australian banking system can without effort move funds from New South Wales to other States. Insurance companies and other big corporations can have their credit balances transferred by a mere book entry. But this can take place only within the closed circuit of a single currency.

When a country's currency is exchangeable for gold, then a foreign investor may withdraw his capital in gold bullion. If there are enough foreign investors, and they choose to do this, they may compel a country to suspend paying in gold, or, as the phrase goes, force it off the gold standard. But, seeing what an absurdity it is to base a country's issue of money on gold or any other arbitrary standard, instead of on its production of real wealth, even this, so far from being a drawback, is a step in the right direction.

Other so-called transfers of capital, as we have seen above, consist of what is really a deal between the holders of, say, German marks and Australian pounds, conducted through German and Australian banks, or some similar exchange. And, in general, buyers of one must be balanced by sellers of the other.

In neither case are the German marks or the Australian pounds transferred; all that takes place is a change in the personnel of their ownership.

The real transfer of capital abroad can take place only by a transfer of commodities. Apart from buying our now inconsiderable amount of gold production, if English or other oversea investors wish to remove their capital from this country, the only way in which they can do so is by their shipping abroad our wool or wheat or some other tangible form of wealth, which, so far from being a disaster, would be all to the good. Supposing that an English company owns an Australian gold mine. This cannot be shifted to England. The company must first find a local buyer for it, and then pay the money received to the producer of some commodity, which the company may ship abroad. In other words, just as foreign capital came into Australia as a debt in the form of an excess of imported goods, to our disadvantage, so it can go out again only as an excess of exported goods to our corresponding advantage in payment of the debt.

(To be continued.)

'Tis the voice of the banker. I heard him profess: You're producing too much; you must all consume less.

As a shark with a thimble, so he with his pen Makes credit from nothing and cancels again. When pockets are empty he's full of elation and talks in contemptuous tones of inflation. But when he's in a mess and can't pay, he looks glum and asks for a moratorium.

—Eimar O'Duffy.