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The National Mutual's Good Year

The National Mutual Life Association ranks very high, and deservedly so, in the list of life assurance companies. Its financial strength and its administration will stand up to the keenest criticism; being a mutual company, it takes no rich rake-off from assurance premiums for private shareholders; it has led the world in offering some of the finest assurance benefits; and, not least, it has carefully and consistently kept its reputation free from the long-standing scandals and abuses associated with the industrial assurance racket. It would probably be correct to say that no company of its type has earned a greater good will from policyholders. Finally, it is an Australian company, and is probably somewhat freer from overseas bank-dominated influences than any other institution of its size in the Commonwealth.

Nevertheless, the annual report of the Association, as read by its chairman of directors, Sir Harold Luxton, some days ago, proves once again how even the best of the assurance companies, thanks to our absurd money technique, is compelled to play an anti-social part in the community. This means also that the policyholders of this mutual association are doing the same thing.

UNDULY HIGH PREMIUMS

Before going on to discuss the general policy of the National Mutual, it might be permitted to point out that this mutual institution is bitten with the same premium-charging bug as the worst of the proprietary companies. Reserves for contingencies are inescapable in any well-run business, but reserves should be proportional to risks. And we suggest that the reserves being amassed by the National Mutual, especially in view of its constitution, are out of all proportion to its risks and are indeed grossly unfair to policyholders.

"The amount of the actual claims", said the chairman, discussing the year's business, "was only fifty-five per cent, of the amount to have been expected, according to the mortality table used in the actuarial valuations of the Association's liabilities." This statement, which is essentially similar to the statements we now expect every year, indicates quite clearly that the National Mutual, like other assurance concerns, is working on a mortality table, which is long out of date, and in consequence is charging premiums, which are far higher than is necessary or fair. And it is no defence at all to point out that all funds are the property of the policyholders, so that, even if they are overcharged in the risk department, they still have a beneficial interest in the moneys they have provided. Policyholders have an interest in the Association only until their

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policies mature or are surrendered. Then they cease to have any further connection; they are not like shareholders in, say, banks, upon whose saleable scrip a market valuation allows for reserves.

The National Mutual, in the interest of its policyholders and of assured persons generally, could perform a great service, as it did with the non-forfeiture clause, in leading the other assurance companies (who would have to follow its lead) towards a long-needed reform in this direction.

THE VICIOUS CIRCLE

But it is when one comes to look at the general financial position of the Association that one is forced to realise how the assurance company, though supplying a service which is now badly needed for individuals, is at the same time perpetuating, and even making worse those national conditions which are mainly responsible for the individual's need of assurance. It is very definitely a case of the vicious circle.

Why does the individual need assurance? Principally for two reasons. One is to cover the fear of destitution in his later years or the necessities of his dependents—this applies to the smaller policyholder. The other, which concerns more the businessman, is to provide a taxation fund for death duties, which may otherwise lead to a forced realisation and sacrifice of his assets. The general motive behind assurance is fear, the fear of money shortage. And in the vast majority of cases the premiums paid out by assured persons represent self-sacrificing consideration for others. As an instance, the National Mutual last year issued 26,841 new policies, representing assured amounts of £10,137,325, and only 100 annuity policies, providing

annuities of a mere £9,441 per annum. The claims paid by death (self-sacrifice) totalled £1,003,203, and those by maturity £1,300,572. Of the latter, probably a very high percentage would not be spent by the assured upon themselves.

But, in the paradoxical way that is associated with our money mechanism, all the payments of premiums, whether to the National Mutual or to other companies, are serving only to intensify the worst features of our system of fear and taxation, and to make things worse for our dependents and our heirs.

UNSPENT MONEY AND UNSOLD GOODS.

Supposing that you pay an annual premium of £30. Whence did that £30 arise? Almost certainly, even though you may have come by it in return for services, through backing a winner, or through some other windfall, it began its career in the form of a bank overdraft issued for the production of goods. That is to say, the £30 in your hands is represented, somewhere in the community, by goods priced at £30. (We commend this line of inquiry to Sir Harold Luxton, himself a practical businessman selling goods in the city.)

Very well. As long as your £30 remains unspent, goods somewhere must remain unsold to the extent of £30, or else some goods must be sold at a loss of £30. Either alternative leads to depression, and ultimately to a type of debt adjustment envisaged by Sir Harold when he said with commendable frankness in his address: "Debt adjustment, both as regards the capital and interest obligation, is hardly new. Under our present financial system it has been continually taking place between debtor and creditor and borrower and lender. The

Bankruptcy Courts have been concerned with capital debt adjustment in its extreme forms; but far more numerous and important have been adjustments by private arrangement."

RESTORING MONEY, AT INTEREST.

Your £30 goes into the funds of the assurance company. What happens to it then? The greater part of it is lent to governments or to semi-governmental bodies, by whom it is used to be redistributed to the people to help make up the deficiency, which you yourself helped to cause. In the meantime, however, the businessman who could not sell his goods has got into difficulties; hands have been put off; the money, which would have been distributed as wages to workers and principals, now comes out as doles. The general standard of living comes down. The fear attitude becomes more prevalent. You go for insurance more than ever (the National Mutual has just had a record year).

The position of the Government grows more desperate. The National Mutual statement shows that its investments in government securities increased during the year by over a million pounds. This means that the Government, to pay interest to this Association alone, has to increase taxation by nearly £40,000 a year.

"VICISSITUDES OF FORTUNE."

Heavier taxation in turn reacts even upon the assurance company itself. This year the National Mutual put over £300,000 into its Investment Fluctuation Reserve. "The amount of the Investment Fluctuation Reserve at the close of the year", said Sir Harold, "was

*To The Unemployed of Australia
Dear Brothers and Sisters,*

We address to you the last letter of this year, because you are the last in our thoughts—last only in the sense that the thought of you will linger in our minds when we have forgotten both your petty persecutors and that far greater number of well-enough meaning, but essentially selfish persons, to whom you have long since become little more than a percentage or an index number.

We salute you as heroes incomparably, greater than those whose chests are bemedalled with war decorations, or even than those who, as privates, went unnoticed through all the horrors of the Great War. For these, whatever their fears for their personal safety, had at least the knowledge that their dependents were being looked after, while for themselves they had economic security—that is, they had no thought as to food or clothing or the essentials of life. And they had the feeling of comradeship, the sense that all those around them, high and low, were united with them in the one great endeavour.

You have had none of these consolations. Your days have been days of want and loneliness. Your nights have been nights of anxiety, as weeks, months and years have dragged their weary way, each leaving you a little older and more careworn, each leaving you a little more hopeless for the future of the children growing up around you, to—what?

The year just ending has brought you very little actual relief. A few of you, abandoning the struggle, have taken their own lives in distracted despair. The minds of some of you, broken at last, have snapped. The physical constitutions of many of you are less able to withstand your hardships of body and mind. But the

year closes with broad streaks of hope at last beginning to brighten your dark sky. It is not the hope that elusive prosperity is returning. Prosperity has never been absent; there has never been any real shortage of the things you need. Your hope arises because people's minds are at last becoming enlightened. A beacon was lit in far-off Alberta. Another begins to show in New Zealand. Soon there will be a ring of fires all round the world that will transform your night into day.

Here in Australia those who were your servants and those who should have been your natural leaders have mostly either betrayed you by their actions or abandoned you by their inaction, by their silent assent to a state as appalling and unchristian as it was unnecessary. But new leaders are springing up; voices that were silent are again beginning to take courage. The scales are falling off men's eyes. No longer do they talk of sacrifices and of the need to tighten belts; even in fashionable circles it is now admitted that the only problem is how to shift the goods across to you.

This leaves but one obstacle to be overcome. In a sense it is the worst one, for it is the ousting from his seat of the devil who derives power from his monopoly over the issue of money, the man who through this power, controls the Government, the great industries, the press, the cinema; who for a long time has blocked the ways of escape. But his power is tottering. It requires no army to defeat him, only the army of votes of an aroused people.

In getting these votes, which will serve notice upon our parliamentary servants that we DEMAND RESULTS, and that the first result is the abolition of your needless poverty, we ask you one thing: Help Us To Help You.

THE NEW TIMES

£1,115,161, a very substantial provision indeed against the vicissitude of fortune that, notwithstanding the exercise of the greatest care may attend the investment of large funds."

What are the vicissitudes of fortune? Are they not all, or nearly all, fluctuations directly traceable to one thing only, to shortage of money in the hands of the people. We hear very little nowadays, thanks to science, of difficulties arising from production. Our troubles are almost exclusively at the consumption end, at the point where goods cannot be distributed satisfactorily on account of a lack of purchasing power.

The National Mutual, well run as it is from the aspect of administration, is chronically stepping in to short circuit consumers. The whole of its assurance fund of over £39 millions represents a blockage in our channel for distributing goods. As a consideration for removing this blockage, by making the assurance fund ultimately available to governments, etc., for redistribution as consumers' incomes, the association, itself the original offender, expects to get, and does get a toll, through taxation, of well over a million pounds a year.

Is not the whole position absurd? And yet thrift is necessary for individuals. Today it is vitally necessary. Under any circumstances some measure of thrift, it would seem, would be inescapable.

Sir Harold Luxton, as chairman of the National Mutual, may rightly claim to be occupying a position wherein he is rendering considerable services to many thousands of individuals. Sir Harold Luxton, by these very activities, is making it harder to sell goods in the great city emporium over which he presides, and at the same time increasing its liabilities for taxation.

We understand that Sir Harold, up to now, has indicated his entire approval of a monetary system, which permits these tragic absurdities. We wonder will he ever wake up.

Dental Treatment is Not Provided For in the Basic Wage or the Dole

The result is that the majority of the population has decay and pyorrhoea. The "National Dividend" would make available to everyone his heritage of (a) health, (b) education, and (c) sustenance in their fullest sense. In the meantime, dental science has produced (A) the only University proven antiseptic tooth-paste in the world:

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THE REAL PROBLEM IN FRONT OF NEW ZEALAND'S NEW GOVERNMENT

By T.O.M. in *The Key*, Wellington, N.Z.

The feeling of optimism that is apparent since the election is a pleasant indication of the naturally cheerful temperament of New Zealanders. Even the weather has conspired to put a kindly, Christmas sort of complexion on the political situation. The Labor Party could not have wished for rosier prospects for their initiation. But we must not suppose that all is over bar the shouting. On the contrary, one of the most difficult tasks that they have ever tackled faces all kinds of social reformers now—on the very doorstep.

The task is difficult because everything looks bright at present. The bulk of the people are likely to be lulled into a sense of security and well-being. In times of storm and doubt, reformers come forward and help in a wonderfully alert and intelligent manner. But where is the reformer when today is all right and the storm is only to be forecast? This is not intended as scare mongering. The Labor Party, I believe, has the good of the people at heart; and as I have said, an excellent opportunity to give them liberty and prosperity such as they have never known before. But they must proceed with exceeding care.

Let us attempt to look forward a little. The Labor Party has it as a main plank of their policy that they will utilise the National Credit to perform the will of Parliament. This has led to the yell of "Inflation" from the opposing scaremongers. The scaremongers, as usual, did not state their argument, but merely shouted. But they may be right. I venture to say they probably are right.

The method of reading the future I shall adopt here is to take the possible alternatives before the Labor Government in this matter, and to reject the least probable of them at each step. In the first place, what is the will of Parliament? If we are to believe the

statement of Labor members on the hustings, it is to guarantee prices to the farmer and wages to the worker. The unemployed worker is to be paid a standard living wage. I believe these things to be desirable and quite possible. Financial Credit (Money) can be created against the National Real Credit (the capacity of the community to produce goods and services), for the purpose. The first alternative, then, before the Labor Government is either to keep their pledges to abolish poverty amidst plenty, or not.

They will probably keep them as far as they are able. That being the case, new money will be created and circulated by means of payments to farmers, unemployed, etc. The existence of new money in quantity usually has the effect of tempting retailers to raise their profits somewhat. There is no reason to believe that this would not be the case on this occasion. Rising prices cancel the advantage of increased incomes; and it would again be necessary to increase payments from the National Credit. At the same time, all wage earners not in receipt of government payments would naturally demand increased wages also. It is not necessary to go into the results of inflation here.

The second alternative before the Labor Government in this case would be either to allow inflation to take place, or to attempt to check it. It will be agreed that the latter is the probable choice. The method to be used, according to Mr. Semple, when asked at an election meeting, is the fixation of prices. This may be possible, but I know of no record of its success. It would surely have been put to wider use if it had achieved the desired effect.

It will be agreed that increased wages result in increased costs, and with prices fixed, profits will necessarily be reduced. It is doubtful if all prices would be fixed: the

obvious articles of food and clothing would be the first to be tackled. The retailer of profit-restricted articles would be faced with increased costs in all non-restricted articles, and increased costs in most of his overhead expenses. Generally speaking, the retailer of necessities does not make a large net profit. If this is seriously reduced, many retailers would certainly become bankrupt, and all would suffer reduced incomes. More attractive wages and less attractive businesses might even lead to a serious falling off of retail businesses, to the inconvenience of consumers. It is almost certain, in these circumstances that the trades concerned would complain very earnestly to the Government about their position. The Labor Government would then have three alternatives, which it would be well to consider carefully:—

- (1) They could ignore the plight of the retailers, which would also be the plight of the consumers.
- (2) They could introduce some form of control. (State retailing in disguise probably.)
- (3) They could introduce the Just Price proposals of Major Douglas.

We can reject the first, because it would lead to the complete failure of price fixation—the public will have the goods, and the retailer will sell them; and the most restrictive laws have never yet succeeded in preventing this. We can also reject the last, for it is apparently not in the armoury of the Labor Party. If they had intended to use it, it seems scarcely credible that they should neglect so attractive a proposition as goods at real cost when seeking the votes of the people.

This leaves us with State retailing. Socialism!

Now, what is the probable reaction to all this among the retailers? I suggest that they will ally themselves to any organisation, which will assist them to break the law and sell their goods at above legal prices. This will be acceded to by their customers to a large extent, as these will be seriously inconvenienced by the decreased facilities offered. That certain farmers might also join in seems probable. Guaranteed prices will only be attractive when prices are low—when they are high, the idea will not be so popular. Political opportunists are not usually slow to take advantage of a situation of this nature.

This time the Labor Government's alternative would be of a sterner nature. They could attempt to enforce their laws by prosecutions, finings and gaolings; or they could bow to circumstances and go to the country. Is it likely that a party holding over fifty seats in the House of Representatives would face the polls at a time of unrest such as this would be?

Then the path they would probably choose would be to enforce their laws, which would result in the gradual elimination of private enterprise. In which case the retailer-farmer class would almost certainly resist the Government with the best means in its power; and the most obvious method is the forming of a Fascist organisation under a more or less self-appointed leader. This body, probably well organised and with a strong military flavour common to such, would inevitably clash with the official forces both frequently and violently.

Fighting in the streets! In New Zealand! Impossible! Well, I suggest that not only is it not impossible, but that it is not even improbable. I have endeavoured to arrive at this result by reasoning. I ask the reader to point out the impossible points, for I shall be very willing to see them.

Having foreseen trouble, it may be possible to avoid it. Let us go back to the proposition that one of the alternatives of the Government is to introduce the Just Price factor into the scheme.

It does not seem probable that it will do so upon its own initiative and that is where our work begins. Every effort, every penny, must be expended to induce the Govern-

STOP IT!

Under the above heading, the paragraphs below appear in "Prosperity" (Dublin), of November last:—

The following letter appeared in "The Irish Press" of the 2nd October:—

Sir—Will you allow me to protest in the columns of "The Irish Press" against the present very inadequate poor relief?

(1) P. McK., wife and four children—Rent, 10/-; relief, 17/6; 7/6 left to keep six persons for a week, coal, light, food and clothing out of 2d per head daily.

(2) J. T., wife and eight children, eldest 9 years—Rent, 8/-; relief, 18/6, having 10/6 to maintain 10 persons for a week (1 3/4d per head daily). Every child has been in hospital; two boys, aged 7 years and 6 years respectively, have been there for the last fortnight (September 11).

(3) I. M., wife and two children—Rent, 8/-; relief, 11/6. He got one day's work (3/-) for whitewashing, and his 11/6 (1 1/2d per head daily) relief was stopped at once.

(4) R. W., wife and three children—Rent, 4/-; relief, 9/-. For the last 5 weeks this family has existed on 5/- a week, as the rent must be paid!

(5) T. J., invalided after an operation on his brain, refused sickness benefit because his mother—a widow—has a blind pension!

(6) C. McD., wife and child—Rent, 4/6; no relief. Said not to be seeking work, although every morning lately at the Hammond Land Foundry, the Tramway Garage, Summer-hill, and the British and Irish Steamship Company, he has looked for work in vain.

This miserably insufficient relief, which is scarcely mitigated starvation, is not fair to workers whose capacity for work depends on adequate nourishment to a great extent.

Yours faithfully,
S. C. HARRISON,
7 St. Stephen's Green,
29th September 1935.

The following statements were made at a meeting of the Dublin Board of Assistance on the 16th October:—

Many children were prevented from attending school for want of clothing and boots. Reports of the National Society for the Prevention of Cruelty to Children Inspectors showed cases of children suffering unendurable hardships in their homes through want of food and clothing. Expectant mothers were bringing delicate babies into the world without nourishing food. These infants developed into rickety children to fill their orthopedic hospitals and sanatoria. Fathers of families were breaking down under the strain of want, ultimately becoming unemployable. It would be a saving to the ratepayers to feed their people instead of pouring out money for the upkeep of social institutions.

Seventy-five per cent, of the cases in relief were without bedclothes, having been obliged to pledge them during the summer.

During the previous week 6699 cases were relieved, an increase of 730 cases over the corresponding week last year.

* * *

"The Irish Press" of July 15th, reviewing recent Board of Health Reports, states:—

In County Dublin, 4781 school children were examined during the year. There were 607 suffering from malnutrition, and 671 from personal neglect, while 433 had defective eyesight, and over 25 percent

ment to prevent a fearful crash, by introducing the National Dividend and the Just Price factor.

were found to have bad teeth.

Annual reports from School Medical Officers in other counties show that in some counties dental disease affects almost 60 per cent, of the children, while the percentage suffering from defective sight ranges from 8.88 in Limerick County to 25.09 in Wexford. There are nine counties in which no medical inspection schemes are in operation.

Suited to a Tea

By FROTTI, in "Social Credit." Is there not spots of dam good news from City, O Comrade, in today's evening papers, notably the "Standhard", from which I have readed it?

Owing to the restrictionings, and also to the international situation, tea is now scarce. Formerly it was in plenty, so that for five years board must sit to eliminate excessiveness in supplies. Now this winter, hooray, tea will be more expensive for you and myself.

This is truly Economics, and I admire them deeply even if I am not altogether comprehending them. You win to a position in which let us argue:

(a) Farmers are producing sufficient bacon, butter, cheese, milk, etc., for all peoples in nation. No more is needed.

(b) All peoples in nation have accessings to cheap bacon, butter, cheese, milk, etc., at prices to be afforded by them. No person needs go without.

Now, to thoughtless non-student bloke of low-grade intellectual top-stores, this seems sufficient to be left thus, no further advancings being possible. All persons may now eat, all farmers take well-earned rest from labours done.

But London School Economics, that great portal of learnings, has coat-of-arms showing little animal known as beaver on its shield. And this being interpreted means "Dam Everything." Therefore, these fellow-chaps cannot leave matters in state of free flow of commodities without going against conscientious principles of true economics. So they put forward alternating plan:

(a) Force farmers to destroy bacon, butter, etc., and cheeses, until there is shortage sufficient to

(b) Force up prices so that no one can buy them.

Thus, having cheesed making cheeses for a year, and poured milk down, drains (so that rats may not suffer from malnutrition, good and charitable thought!) until no one can buy anything, they effect following:

(a) Farmers must work hard again to produce more.

(b) Persons needing milk must work harder to get sufficient monies to buy it, or, if unemployed must drink synthetic milkings, curds and whey, cocoanut juices, reconstituted milk from rancid butter, and so forth.

Economics is not she who stays the hand of hooligan preparing to throw rotten egg at politician? Such egg, by Economics stern laws, has been reconstituted too valuables to fling! What great benefits it is to be thus well regulated! As your versifier, Grey Elegy puts it: "Chill penury repress'd their noble rage and froze the genial current of the soul."

And rightly so.

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THE "TEACHERS' JOURNAL" AND THE "NEW TIMES"

"The Retort Courteous"

In its issue of December 20 the *Teachers' Journal*, the organ of the Victorian Teachers' Union, takes the *New Times* to task for an article, "Making War On The Child", which appeared in our issue of November 29. The *Teachers' Journal* heads its reply: "New Times Attacks Teachers. The Retort Courteous."

A summary of the chief points cited against our article is as follows:

Teachers "have no hesitation in declaring the fundamental statements in this article to be simply untrue. Whatever may have been the case in the past, it is absurd to say today that the upbringing of the young is based from infancy on physical fear and corporal punishment."

In the lower grades of all the larger metropolitan schools knowledge "is attained in the play way" by "specially trained teachers imbued with the Kindergarten spirit."

"In many schools corporal punishment has practically disappeared. A month ago the headmaster of one of the largest State schools, where over 1,300 children are in daily attendance, in speaking of discipline said that he never used a strap and that there had been no entry in the punishment register for the past eight years."

"All State schools have their School Committees and Mothers' Clubs, and numbers of parents are in close touch with the head teachers, and indeed with many of the class teachers. A visit to the schools will show also that a great deal of the time of head teachers is taken up with interviews with parents, who come to consult them on the welfare of their children. Far from parents feeling any fear to meet the teachers, there is a growing tendency to seek them and ask their advice."

This is, in general, the aspect of the schools question wherein the *Teachers' Journal* finds fault with us.

We might point out that its claim as to teaching in "the play way" deals only with State schools, and with lower grades in the larger metropolitan schools at that; also that it is in many, and not in all, or even in most schools that corporal punishment has practically disappeared; and even, perhaps, that we seem to remember Court reports of one or two parents in the last few weeks being in such "close touch" with teachers that the effects were probably painful. From its own quotations, however, getting on to the broad question of punishments, we think it is not unfair to assume that the teachers' organ is in substantial agreement with us that corporal punishment in schools would be better abolished, and that the best results are achieved without it.

In so far as we discussed corporal punishment, the purpose of our article was to seek its abolition. We are pleased to have at least the

implied support of the Teachers' Union of Victoria. We should like to have similar support from those who are teaching in schools not conducted by the State. And we would remind the *Teachers' Journal* that our criticism was not aimed exclusively at Victorian State schools, or at State schools at all. Far from it, as reference to the article will show.

On the matter of corporal punishments, we also said: "There are numbers of teachers—who do not believe in and who do not practise the beating of children." The issue on this particular point would therefore seem to be whether we should have said: "There are numbers of teachers—and in the Victorian State schools they are in the majority—" etc. If we have understated the case in this respect we sincerely regret it, and ask the teachers to accept our apologies. At the same time we shall not be satisfied, and we hope the Teachers' Union will not be satisfied until the legality of beating school children is as completely eradicated as is the beating of wives by their husbands.

"DOING THEIR UTMOST."

"We appreciate the fact", continues the *Teachers' Journal*, "that the *New Times* recognises the difficulties under which teachers work—the large class, the absence of space, the disgraceful paucity of equipment. We know only too well how badly they are paid, and how excusable it is if they sometimes become depressed and irritable. We are fully aware also of the dangers of mass production, and of the need for the full development of individual talent. Teachers are aware of these things, and"—our emphasis—"are doing their utmost to stir Governments to action."

Are they? Let us illustrate this "action" by two more quotations from the *Journal*.

The first is from its editorial: "Teachers find it difficult to maintain feelings of good will towards those who are responsible for the education policy of the State . . . What has the Dunstan Government done to convert the hopes of mankind into reality? It had to face the result of accumulated neglect by the Argyle administration. It found the schools in a state of disrepair, overcrowded, starved of equipment. It found the teachers smarting under a sense of injustice due to unfair class taxation, and the failure of the Government to grant them their statutory right to promotion. The Minister was besieged by deputations and realised the need for immediate action, but the Cabinet failed to respond, and its record in education is pitiful." The editorial concludes: "In the new world made possible by science and industry we are beginning to picture a life of leisure and culture, a life where crime will scarcely exist, as the fear and anxiety consequent on monetary shortage disappears. In every such vision of the future one sees the teacher playing an even more responsible and more honourable part. Is the politician the last man to recognise this?"

The teachers were up in arms against the Argyle administration. After it has been a few months in office, they are now up against the Dunstan administration. A short time ago, if we remember aright, there was a bit of a brush with Mr. Tunnecliffe.

So there you are. U.A.P., U.C.P., Labor—the teachers can get little satisfaction from any of the existing political parties. Nor would they have any hope of much better conditions with any politician who is bound by the trammels of the tax-or-borrow financial system. But, in spite of their editor's glimpse of a vision wherein "the fear and anxiety consequent on monetary shortage disappears", what have the teachers, as a body, done to bring about the end of our monetary shortage? What have

they sought except to fight for their own little corner, to divert into their own particular pitcher some few drops coming from the insufficient money tap?

IT ALL COMES BACK TO MONEY.

Every single one of their just grievances is bound up with monetary shortage. Salaries, promotions, adequate staffing, buildings, equipment, the mass production type of education, all the points on which they and we are in agreement; even, to a very great extent, the moot point between us of corporal punishments—would not all these matters permit of an easy solution if there were no money shortage? And, as for the politician, no matter what party he belongs to, do the teachers really think he is deliberately or wilfully denying the just claims of so many voters? What is the attitude of the present Minister for Education, of the present Premier, whether in Victoria or in any of the other States? If they were not blocked by finance would they not accede to all the requests for equipment and salaries instantly?

If this be so, and we think the teachers will admit it, then surely the one point on which intelligent men and women should concentrate their attention and their actions now should be national finance. Surely the teachers, instead of claiming rights or privileges which cannot be granted except by deprivation elsewhere or by further taxation or further national debt (which comes to the same thing)—surely they, of all people, as professional students should have a clear understanding of money and of why it is failing to function properly.

Now read the second quotation, which is the conclusion of their article on the *New Times*:

"What do most of our teachers know about money? Little enough, we must admit—either of its theory or practice—but we might point out to our critics that teachers are not free to teach anything they please. They have to cover a certain curriculum within a given time, and, with the best intentions in the world to give their students some knowledge of monetary problems, they are unable to do so."

NOT ON THE CURRICULUM.

The average politician's knowledge of monetary problems is what he was taught, which, as indicated above, is nil. The same applies to the average voter who, if he were better informed, would bring immediate pressure to bear upon his servant, the politician. And the same is apparently to be the case with the future politicians and voters who are now graduating through our schools. Why? Because even an elementary study of money, the most important influence in our present-day lives, is not on the curriculum. As long as this state of affairs continues it is a pretty safe bet that the condition of teachers, so far from improving, will grow steadily worse—for it must be remembered that the authorities say we are now back to prosperity.

Not on the curriculum! Who prepares the curriculum? Is this not one direction, at least, in which the teachers would be expected to be able to exert some influence if they were really doing their utmost?

On the back of the *Teachers' Journal* is the notice of the Victorian Teachers' Union. Part of that notice reads: "The V.T.U. is recognised as the mouthpiece of the teaching profession by the Cabinet—by Parliament—by the Director of our Department—by the Public Service Commissioner . . . Join the V.T.U. and Help Yourself to Protect Your Own Rights. Do Not Leave the Fight to Others!"

A final quotation from the *Journal*: "The *New Times* can assist—not by making extravagant statements about the discipline in the schools and the poor quality of the teachers, but by educating the general public to the need for a greater expenditure upon the most neglected of our social services." Do Not Leave the Fight to Others!

OLD KING COAL IN QUEER STREET

The Plight of the British Coal Industry

By G. W. L. DAY, in *Social Credit*.

Old King Coal was a merry old soul. Note the past tense and excuse the spelling. Poor old chap, we no longer seem able to pay for his kingly state. His pipe has to be filled with shag, his bowl with cheap lemonade, and as for his fiddlers three, they are playing to theatre queues.

All his retainers are in a bad way. The miners, who have one of the hardest jobs on earth and, admittedly, too little pay, say they must have more. The mine-owners say they can't afford to pay it. And so another strike seems imminent.

This problem of the mining industry is like a circle of Eternal Recurrence. It crops up over and over again with only slight variations. Since exactly the same forces continue to act, the phenomenon just goes on repeating itself. Like the goitre, it is always endemic in certain districts.

NO MORE EXCUSES FOR DELAY.

The entire stock in trade of Wait-and-See has been exhausted. There is no excuse for appointing a commission to enquire into the industry, because commissions have already enquired. It is no use asking the miners to wait for something to turn up, because that is what they have been doing for years.

There may be a few diehards, who still believe that when the world returns to the Golden Age of "before the War", and Poles and Chinese and other impertinent foreigners cease working their own coal, South Wales and Durham may flourish once again. But most of us have sneakily abandoned hope, and either dismiss the problem from our minds or console ourselves with the thought that the young unemployed miners will find other jobs while the old ones will die off.

Meanwhile industrious bodies like the Coal Utilisation Council strive by every means in their power to get coal burnt or pushed out of the country!

PLAYING DUCKS AND DRAKES.

Every now and then some croaking professor gets up and doubts how much longer the sources of our mineral wealth can hold out, and even predicts a date when the last load of coal will be delivered at the pithead. Burning coal is like spending capital, because it cannot be replaced. It is even like playing ducks and drakes with a fortune, because in burning raw coal about ninety-five per cent, of the heat energy goes to waste.

But what of that? Real values don't count in this pound-struck world. All we can think of is wages for miners and profits for mine-owners. So long as the bonny banks and brass are all right what matters it if our national resources of fuel go to pot? Take our coal, you Argentines, Armenians and Greeks, and burn it to ashes; only for heaven's sake take it away and give us some little bits of paper we can show the banks to prove we haven't cheated!

SUBSTANCE FOR SHADOW

It is said there are times in history when men suddenly begin to throw away all those things which it has cost them centuries of painful effort and sacrifice to acquire—knowledge, principles, culture, religious feeling, liberty, craftsmanship, artistic taste, and so on. Without question this is what is happening today. We are throwing away the substance in exchange for the shadow. Our powers of discrimination are in abeyance.

What makes us throw away our coal? Because we want more bits of paper to circulate among the miners and mine owners. The bits of paper are really less substantial than the good, solid wood pulp from which paper is made: they are mere figures in books. Yet rather than adjust these figures

in books we throw away the coal.

CRAZY ARITHMETIC.

We are living in a millionaire's household whose accounts are calculated on a system of crazy arithmetic invented by a mad professor so that everybody, including the millionaire, has to go about in rags

So long as we stick to this crazy arithmetic it is mathematically certain that the insoluble problem of the coal mining industry will remain unsolved. This is inherent in the arithmetic, not in the coal, as our mad professors imagine.

The solution lies in issuing new money to everybody, whether employed or not, in the form of National Dividends.

This would at once solve the difficulty of miners' wages and mine-owners' profits, and because unemployment would no longer be a dreaded curse, the number of men employed in the mines and the hours they worked could be arranged simply to suit the convenience of everybody.

Every possible labour-saving device could be introduced without fear of causing hardship, and since there would no longer be any compelling motive to burn coal and export it, we should cease to squander our mineral resources in return for bits of paper, but conserve them with the best possible processes which science could devise.

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R. G. Menzies Strikes a Blow for Fascism

There are not wanting thoughtful people who have for some time been wondering whether the meteoric rise in parliamentary life of the Brilliant Young Man of politics, R. G. Menzies, denotes the choice by our hidden governors of another figurehead, such as Hitler, who would be ready to execute the commands of a banking-Fascist dictatorship. To such speculators Mr. Menzies seems to be fulfilling all that would be expected of him. Thus we find him at one moment lauding democracy, like his Fascist prototype, and at the next crying out to the banks to "educate" Australian people the better to understand the glories of that financial system which is the very antithesis of democracy.

The Mr. Menzies who last week exhibited himself to the public marked a further, a much further step on the road to the truculent intolerance of Fascism. Upon being approached by a deputation from those seamen whose wives and children have been callously condemned to starvation because their breadwinners have adopted the only way which seems to them effective in protesting against unfair conditions, our budding Hitler gave one of the most disgraceful exhibitions ever put on record by a public man in Australia.

To begin with, he turned to the spokesman for the Seamen's Union, and demanded to know: "You are an active member of the Communist party, are you not?" The answer given him was: "I am a fairly active Communist, just as you are an active member of the U.A.P., but that hardly enters into the discussion." We are not defending Communism, which we think would be nearly as lacking in true liberty as government by R. G. Menzies, but what right had

the Attorney-General to ask such a question? It was no more relevant to the point at issue than if he had said: "Do you, or do you not admit that you beat your wife?" or "Did you clean your teeth after breakfast?" The deputation was present to discuss definite issues as between the Seamen's Union, the Federal Ministry and the ship owners, and the individuals composing it were in attendance, not in their private capacities, but as representing their union.

The unworthy purpose of Mr. Menzies was, of course, transparently clear. For, if we may digress for a paragraph, Mr. Menzies, our newspaper-called Brilliant Young Man, has never yet shown any real brilliance in his tactical moves in politics. He has carried out the policy of high finance as slavishly as was ever done by, say, W. M. Hughes or J. A. Lyons. But he has not created around himself any atmosphere. He is not, like Hughes, a Little Digger, nor, like Lyons, a Father Of A Large Family or even An Adviser To The Pope. And so, we anticipate, Humpty Dumpty before long will have a great fall.

To return to our theme. The obvious purpose of Mr. Menzies was to tar and feather the seamen in public estimation as a tribe of Communists. Not content with his remark to the member of the deputation, which, if left at that, might have shown a little craft, he childishly and irresponsibly charged the whole union with being led astray by Communists, and added: "The strike can be profitable only to those who seek notoriety and wish to further their own non-Australian views through it."

Upon this most unfair and untrue statement being protested against, the Attorney-General brutally proceeded: "You may protest as long as you like, but I decline to believe that any union would have gone on strike otherwise. The policy of the Government was not arrived at in a hurry, and it is not going to be altered. The licensing provisions will not be withdrawn. I hope that that statement will be spread well in the rank and file of the seamen to make them realise the position." For good measure, he then taunted the seamen with "expecting to live on other unions until the Government withdraws the application of the Act."

The hoary old device of raising the cry of the Communistic Wolf, as Mr. Menzies should well know, is pretty well played out. Communism, left to itself, is a spent force, or, rather, it never was a real force in Australia. But, give us a few more men in office of the Menzies type, and it is quite conceivable that there might be large accessions to the ranks of the Communists. Mr. Menzies is certainly doing everything possible to encourage such accessions through the bitterness

generated by such remarks as his. And, if he continues on the way he is going, people will begin to ask themselves, is he anxious to foster Communism? Is he, and are those whom he represents, looking for an excuse to justify further measures of repression, further Crimes Acts, further attempts to stifle the public opinion which is daily growing more insistent in its demands for the unseating of those money monopolists of whom Mr. Menzies is now openly a co-director?

K. M. Niall Goes Wool-gathering

A short time ago Mr. J. M. Niall handed over to his son, Mr. K. M. Niall, the chairmanship of Goldsbrough, Mort & Co., that great £2,400,000 pastoral and wool-broking company which represents the consolidation of Goldsbrough & Co.; Mort & Co.; Harrison, Jones & Devlin; Bagot, Shakes & Lewis; and Badgery Bros., and which is now directed by Messrs. K. M. and J. M. Niall, Mr. B. Chaffey, and those two knights, Sir James Elder and Sir Frank Clarke, who also happen to be chairman and vice-chairman of the National Bank.

On Wednesday of last week Mr. K. M. Niall delivered his first annual report as chairman to the shareholders of the company, and, as would be expected in view of his highly placed financial associates, the most significant portion of his speech was taken up, not with wool affairs, but with telling the people of this country how they should conduct their national finances. Mr. Niall was most upset over the increase in our national debt—and rightly so. The latest loan of £7½ millions, he said, brought the total of new borrowings during the last four years to £130 millions, involving an enormous addition to the interest bill, with very little in the shape of tangible assets to show for the increased liability.

So far, so good. Most people will say, "Hear, hear", to Mr. Niall's protest against increasing the national debt, the interest bill, and the consequent taxation. But how does he propose to remedy this state of affairs? Here is his panacea: "Unless a halt is called to the heaping up of government expenditure, it seems to be only a matter of time when the country will again be in financial difficulties, and the burden of taxation will be too heavy to be borne." Properly speaking, the country is long since in financial difficulties, and the burden of taxation is already too heavy to be borne. Our having to provide over £50 millions a year to pay interest on the national debt is one of the chief reasons for the very increase in the debt to which Mr. Niall so rightly takes exception. We are, and have for long been borrowing to pay interest. But that is by the way. What we would like to ask Mr. Niall at the moment is how he would suggest that Government expenditure should be substantially cut?

The family traditions and associations of Mr. R. G. Casey, our Federal Treasurer, are such as to make it not unreasonable to assume that his general viewpoint and sentiments would more or less coincide with those of Mr. Niall. Though some over-

sight on the part of the "Herald's" "Who's Who In Australia", we are unable to find the name of Mr. K. M. Niall in our edition of that informative volume, but it does show Mr. Casey, Mr. J. M. Niall, Sir Frank Clarke and Sir James Elder as fellow-members of the Melbourne Club, and Messrs. Casey and J. M. Niall as fellow-members of the Union Club, of Sydney. We would therefore suggest to the directorate of Goldsbrough, Mort that they have a chat over the matter with our Treasurer in the freedom and privacy of one or other of these clubs. They will probably then learn what Mr. Casey recently told the public through the daily press, that he finds it definitely impossible to make any worthwhile savings in government expenditure.

Where are we to cut? It was private enterprise, and not the Government, which brought into being what is called the unemployment problem. Are Goldsbrough, Mort willing to re-absorb men by going back to the old days of hand shearing and all the rest of it? If not, do they propose that the Government cut down even the present miserable dole accorded to the destitute unemployed? And would they leave the indigent aged and invalids to starve? Would they apply still further cuts to the services, which are simply seething with resentment over the unfair wage slashing and withheld promotions already imposed upon them? Would they try to crowd still further children into schools, which are already turning away hundreds of scholars for lack of space? Or sick into hospitals, which already have patients, trying to sleep on the floors? Would they let our railway rolling stock become even shabbier than it is? We have been listening to Mr. Niall's type of balderdash until we are sick to death of hearing it. We don't suppose, of course, that Mr. Niall really wrote the nonsense, which he delivered; directors don't usually write annual reports. But we suggest to Mr. Niall that, for the sake of his own business reputation and for the sake of his fellow-countrymen, he should read and digest his future addresses before delivering them. Were he to do so, instead of emitting sounds as meaningless as the bleating of his own sheep, instead of uttering nonsensical phrases which indicate that his mind is wool-gathering, he might face up to our real issues.

The major portion of all government expenditure goes to pay everlasting interest on previous loans. Under the type of bank-controlled finance for which at least two of his fellow-directors emphatically stand, it is inevitable that those loans must go on forever—or at least until taxation demands the whole of industry's earnings; we cannot see further than that for the moment.

The only possible way of reducing the taxation against which he rightly protests is for the governments—that is, the people—to issue the money which is now borrowed. There is no alternative to this, unless Mr. Niall assents to the proposition that Government, instead of borrowing £130 millions during the last four years, should have increased taxation by a similar amount. And we don't think Mr. Niall would agree to that. Nor would anyone in the Melbourne or the Union Club.

GREETINGS.

This is our last issue for 1935, and it will be in the hands of most of our readers before Christmas Day. To all we extend our most sincere wishes for a Happy Christmas and for a New Year that will usher in for more and more—we hope for all—of our people their rightful share of those material blessings which God has so abundantly showered on our country, and the lack of which is the immediate occasion, not only of bodily ills, but of vice of all kinds.

To our advertisers who have helped us in our first year of publication we would like to express our particular gratitude, and we trust that our readers will remember in a practical way the assistance we have received from this quarter.

Higgledy, Piggledy

Higgledy, piggledy, my black hen,
She lays eggs for gentlemen.
Gentlemen come every day
To count what my black hen doth lay.

If perchance she lays too many,
They fine my hen a pretty penny.
If perchance she fails to lay,
The gentlemen a bonus pay.

Mumbledy, pumbledy, my red cow,
She's co-operating now.
At first she didn't understand
That milk production must be planned.
She didn't understand at first
She either had to plan or burst.
But now the government reports
She's giving pints instead of quarts.

Fiddle-de-dee, my next-door neighbours,
They are giggling at their labours.
First they plant the tiny seed;
Then they water, then they weed;

Then they hoe and prune and lop;
Then they raise a record crop;
Then they laugh their sides asunder,
And plough the whole caboodle under.

Abracadabra, thus we learn,
The more you make, the less you earn.
The less you earn, the more you're given;
The less you lead, the more you're driven;
The more destroyed, the more they feed;
The more you pay, the more they need;
The more you earn, the less you keep;
And now I lay me down to sleep.

—Ogden Nash.

The Grand Union Canal Company have announced new plans which include the provision of a fleet of over 150 boats capable of navigating the Thames to receive or deliver cargoes direct over ships' sides. These boats are being put on the canal in pairs at a rapid rate. The company state that by an expenditure of over £1 million they have brought the whole of their main route between London and Birmingham up to date, and it is now capable of accommodating craft much bigger and faster than those formerly in use.

—London Chamber of Commerce Journal.

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THE BLIGHT OF THE WORLD

II.

By BRUCE H BROWN

(By arrangement with the

Castlemaine Mail.)

This blight, as we mentioned last week, is known as the Bank for International Settlements. It took shape as the result of two conferences of international bankers. The first was held in Germany (which was fitting, seeing that Paul Warburg, the sponsor of the Central Bank System, came from there), and was confined to representatives of the "big seven," namely—U.S.A., Britain, Germany, France, Belgium, Italy and Japan. The second took place in Holland (which was also fitting, seeing that that was where the Bank of England was conceived) and was attended by central bankers from 20 countries. The Bank was opened in May 1931, at Basle, under charter from the Swiss Government, right on the doorstep of the League of Nations. The directors consist of two representatives each from the "big seven" central banks enumerated above. The President and Vice-President are both from the American Money Trust, and Montagu Norman, the banker sent to London from America, is one of the "representatives" of Britain.

In "Whitaker's Almanac" (1931 Edition), we may read the following:—

"The objective of the Bank for International Settlements is the collection of international government debts and their distribution to creditors. But it is perfectly obvious that the directors will not meet for those routine matters only. The directors will be able to survey international economic problems and eventually control the financial markets for the safeguarding of all. At present there is no intention to make the Bank for International Settlements an international control bank like the Bank of England is to the British Joint Stock Banks, but none can know where this international bank, owned by the Central Bank, will eventually lead."

It will lead to world domination unless the people wake up and say no. "Whitaker's" might have added that the bank was planned to be the Central Bank for gold control of the world, which accounts for the anxiety of Montagu Norman and his co-internationalists to get us back to that fraudulent standard.

INFLUENCE OF THE WARBURGS.

Dr. Carl Melchior, previously mentioned in these articles as a partner in Warburg's Bank of Hamburg, and as the successor to Sir Otto Niemeyer in the position of Chairman of the Finance Committee of the League of Nations, took a leading part with Paul Warburg and Montagu Norman in the establishment of the Bank for International Settlements. This same Dr. Melchior was the only non-parliamentary member of the German Peace Delegation at Versailles in 1919, thus showing the great influence exercised by the Warburgs in German affairs. It is also interesting to recall that, in the year 1925, Mr. Arthur Kitson

wrote that "the Federal Reserve Banking System, which is modelled on the German bank principle, is now the recognised source of the money supplies which the Warburg Group are employing on behalf of Germany and Russia, the same group which financed Lenin and Trotsky." Hurrah for the Warburgs and their Central Banks! In appearance and theory, this international financial control is the property of the Council of the League of Nations, and may be regarded as a sort of Central Cabinet of the world. The Assembly of the League has in fact been described as the "World's Parliament," and the "international commissions" of the League are comparable with our parliamentary committees. Unlike our national parliaments, however, neither the Assembly nor the Council of the League is elected by the people. Both are secretly nominated and appointed, and a study of the names and interests of the members shows that private finance controls the nominations. Finance, therefore, controls world policy, and Democracy, despite the fulsome remarks of our Attorney General, is at an end, even if it ever had any say in real things. The millions of people comprising the various nations have no control whatever of policy, and yet their destiny in life, living and happiness is involved in the system which is being dominated by the world power of finance. This same world power sees to it that travelling politicians who support its continuance are well-fed at the most sumptuous "luncheons" "banquets," and the like, where they are encouraged to go on tickling the ears and patting the backs of their easily-gulled followers about the wonders of the Power of the Vote and their democratic institutions, knowing from experience that the poor simpletons will thus be lulled to sleep while their mortal enemy ensnares them further.

THE ROLE OF THE LEAGUE

These politicians know that all national parliaments, whether they be called "Democratic," "Republican," "Fascist," "Communist" or anything else, have practically been bereft of all function except that of persuading, frightening, deluding, or coercing the public into acquiescence in this condition of world-wide economic scarcity amidst actual and potential plenty; a condition deliberately decreed by an external "financial policy imposed by foreigners, hungry for power, and assisted by their agent, the League of Nations. In simple language, the role of the League is to act as a screen to conceal dictation of finance. High finance determines what amount of financial income the world is to be allowed, and then the League is used to ration it out to the various nations. This is done by dividing the world's market facilities in such a way as to postpone a fresh outbreak of war. The peoples of one or more of the nations at one and the same time are kept just sufficiently satisfied to be beyond the breaking point of desperation.

Your own sense will tell you, if you will give it a chance, that every problem in every country can be described as a conflict between the individual citizen who says, "I must consume in order to live," and the world's financial autocracy, which dictates that "You must not consume if you want to live, but must get just enough of the consumable things to exist." Fights and strikes between Capital and Labour (both workers in industry!) are at root merely a struggle between them (both would-be consumers!) over a quantity of purchasing power, which has been rationed and

kept continually in short supply by the private banking system as a matter of policy. The purpose of this policy is to consolidate the power of the private banking system over the people. Legal fights for shorter hours, more wages, more employment for youths, and so on, are wholly beside the real point, for every one of them is controlled absolutely by finance. Neither the employer nor the employee is responsible for the conditions, which cause the struggle, and neither lockouts nor strikes can cure the cause. Incidentally, it is a terrible crime for the seamen to demand more money for their work, but no one seems to think there is anything wrong with ship owners refusing to carry our goods unless we pay them whatever price they demand. One is just as logical as the other, but neither attacks the real issue, which is the failure of our existing system to equate purchasing power with production.

THE ONE VITAL ISSUE

We shall inevitably remain in a state of chaos until all citizens, i.e., both employers and employees, realise that this stranglehold of Finance, directed on an international basis by foreigners, can only be broken when the Federal Cabinet is faced by a united people of all classes and all grades on the one vital issue of finance, declaring that "Financial Credit Belongs to Us People," and insisting that "Financial Credit shall be Controlled by Us People for the Benefit of Us People." When we are ready to act together on that issue we shall see poverty abolished and economic security brought about for every citizen. Capital and labour must first unite in an industrial truce, and then they must collaborate with the Commonwealth Parliament to effect the freedom of the Cabinet from its subservience to the Treasury, the liberation of the Treasury from its subservience to the private banks, and the release of the banks from the private International Money Trust, which at present is their master. It is this chain of international institutional allegiances which makes most of the men in good positions unable to do the honest and right thing, for their best desires and fraternal aspirations are suppressed and thwarted by the unholy power of money. When each nation resumes its own financial power of self-determination, and when its parliaments, banks, industries, and citizens are free to concentrate on a programme of National Production for National Consumption there will be no need for the continuance of the Financiers' League of Nations unless it be as an untrammelled organisation for the dissemination of happiness, goodwill, and culture.

THE MESMERISM OF MONEY

As things are, the sanctions of the League are as nothing to the power they obscure in the super-sanctions of the private controllers of finance, and yet the only thing that keeps these things obscured from the individual members of the public is the deep-rooted mesmerism of what money really is. When a sufficient number of the more intelligent among us realise the stark truth that money is nothing but costless pen and ink figures on notes and in books, and that the only thing that keeps us in poverty in the midst of plenty is inadequate and faulty bookkeeping, it will not be long before some of the leading politicians will find themselves deservedly embarrassed by penetrating questions. If you are entitled to be included as an intelligent citizen, there is a responsibility on you to look into the nature, origin and control of money now. It is a certain bet that if you do look into it you will immediately become restive.

The fact is that Basle, in

Prestige in the East

"The Government," said a press cable some days ago, "did not fear for the British Navy's ability to master the Italians in the event of a conflict, but it could not contemplate the sacrifice of lives and material at a time when it could not afford to have its prestige weakened in the Middle East and Far East."

A few weeks ago Australia was being urged to remember its sacred pledges to the League of Nations and to small nationalities—pledges, incidentally which the people of Australia had little share in giving. Now, with cynical candour, the whole dirty story is being unfolded for us. The story only bears out what was said in these columns at the time. Those who rule Britain—and who are no more the British people than are they the Australian people who rule Australia—are not one whit concerned about the Abyssinians, as their attempted "peace plan" indicates. They are concerned only with preserving and consolidating the exploitation practised by the bankers and the banking-industrial monopolies. When the cables speak of prestige in the Middle East and Far East, what do they mean? They mean very largely the great oil-fields of Mesopotamia and Persia (or Iraq and Iran); they mean the domination of the Bank of England over Eastern races, which are indicated by the new central banks for India and China; they mean the prostitution of peoples and natural resources to serve the debauchery of finance.

And to pander to this evil power civil sanctions (that is

Switzerland, has become a League of Central Banks, each of which has usurped and uses the credit of the nation in which it operates. As long as each Central Bank remains invulnerable in each nation, so long will they remain collectively invulnerable in the world in which they act through Basle. Whilst this international bank and its central banks yield only short financial rations, and are permitted to continue yielding short financial rations, then no nation, even if militarily mobilised to the last man, could permanently improve the condition of the citizens, either individually or collectively. The present principle of Finance must be changed so that it will accurately reflect our actual production and ensure full consumption by the people. The source of application of the false financial principle now in operation must be attacked, and that source is the Central Bank and its associated private banks in each national area. If we do not do this, then we can never hope to resist the pressure of the Power of the Bank for International Settlements, which is the Bank of the Central Banks and the Blight of the World.

sanctions upon Women and children) were readily applied to Italy. But what of the military sanctions? The sale of British oil to Italy has not been interfered with. The sale of British armaments to Abyssinia proceeds merrily, while it is suspected that similar sales to Italy have continued as of yore through non-sanctioning subsidiaries abroad.

Is it any wonder that the name of Britain stinks? Is it any wonder that the Geneva correspondent of a great English daily paper wrote last week: "Many of the delegations are not willing to continue sanctions unless an embargo is placed on petrol, as they contend that France and Britain hitherto have agreed to sanctions which are doing the least possible harm to Italy, and most harm to others, while avoiding the most effective sanction. . . . The Latin-American countries are especially bitter against Britain, declaring that they have been duped by British imperialism. Some say that unless an embargo is placed on oil they will reconsider their participation in sanctions and, perhaps, their membership of the League. Others regret not having followed the United States and Brazil in staying out of the League which, they say, is only an instrument of Franco-British policy."

The events of the past few weeks have done more to make the British people hated abroad than years can mend. But is it fair? What part have the British people played? What glimmer of understanding have they, either in England or here in Australia, of the intrigues of the international swindlers and usurers who rule England and Australia from London, and to whose fetid souls our good name means less than nothing?

But the people have the remedy in their own hands. Without trying to understand the ramifications of their betrayers' plots they can render them harmless at one blow. The main root of all these international plots and hatreds lies in the necessity for foreign markets, that is, in the need to export goods, which the people who make them have not the money to buy (and, consequently, not the money to buy imports to the value equal to their exports of genuine surpluses). The people will never have this money until they displace the bankers from their position of money manufacturers. But let them once reassert national control over finance and they will transform the boa constrictor into a perfectly harmless carpet snake.

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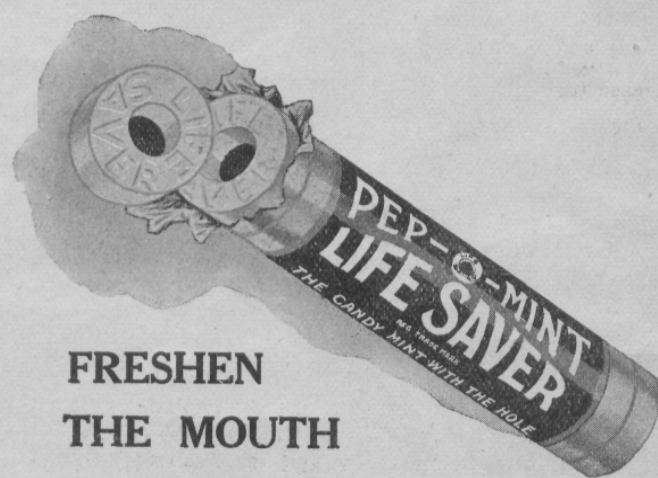
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WHAT IS PURCHASING POWER?

By ARTHUR BRENTON in "The New Age," November 14.

The following letter appeared in the "Financial Times" of November 7:—

SOCIAL CREDIT SYSTEM

More Workers on the Dole

Sir,—So far as one can understand from its expounders, the idea of Social Credit is that (1) in each factory, etc., insufficient wages are distributed to purchase the goods produced, and so over the whole country there is insufficient purchasing power, and that (2) by crediting the populace with, say, £5 a month each in the books of the banks, the purchasing power, and so the consumption and employment of the community, could be increased.

As regards (1) it is clear that the purchasing power of a country consists in its stocks of goods, land, factories, etc.—namely, exactly the same articles as are to be purchased. The allegation of too little purchasing power for goods is no more reasonable than the assertion that there are more backs than fronts.

As regards (2) monetary manipulation cannot increase credit. It can only transfer credit from one person or body of persons to another. Thus it can at most redistribute purchasing power and employment.

In the concrete, one may say the veteran Major Douglas proposes bigger and better doles. The present doles have produced anything up to 3,000,000 unemployed. Social Credit would, no doubt, double that number.

R. E. WHITEHEAD.
"London, N.16."

Mr. Whitehead's expository paragraph (the second) would be quite correct if we were living under a barter economy. Under such an economy purchasing power resides in the articles, which are to be purchased. Everybody is his own banker, so to speak; when he produces an article he produces the means of buying an equivalent article. Hence in a barter economy the community's collective purchasing power expands or contracts in direct relation to the amount of physical wealth that is available for distribution. Mr. Whitehead seems to be under the impression that the same thing is taking place under the present money-economy. He probably has in mind the original concept of a monetary system as one, which could "perfect the barter system." It was a sound ideal, and it is a feasible one, but it has not yet been translated into achievement. The proper purpose of a monetary system is firstly to express in terms of a

given monetary unit the value of collective production and the sizes of individual shares due to the sharers; and, secondly, to distribute to each the equivalent monetary tokens. The final test of whether the system is accurately working resides in the answer to the question: Does the sum total of individual titles to share the wealth equal the wealth? —Or: Does the sum of personal incomes equal the sum of costs, or to put it in a practical form: Do incomes accrue to consumers as fast as costs become chargeable in consumption markets?

Mr. Whitehead argues on the assumption that costs and incomes are convertible terms. For what else are we to make of his assertion that the purchasing power of a community consists in its physical wealth—capital equipment as well as products? That could only be credible if the credit balances of the citizens of a country added up to the same sum as the total assets of its industries. Strictly speaking purchasing power is not a quantity but a ratio—the ratio between costs and incomes. Under the barter system the ratio was unity, for both "cost" and "income" resided in the physical wealth in the sense that the wealth reflected the two. To use Mr. Whitehead's words: it had a back and a front.

What we require of a monetary system is that the monetary tokens we receive as incomes, however many or few in number and however unequally divided between one recipient and another, shall in the aggregate procure us the total wealth which industry is physically capable of delivering for consumption. If, as is the practice, the consumer eventually pays all costs, then costs must be expressed and charged in the same number of monetary units as are expressed on our tokens. With that accomplished, purchasing power is at its maximum efficiency; and it will be then when we shall be able to agree with Mr. Whitehead that for all practical purposes purchasing power "consists in" what is purchasable. In the meantime we shall have to get on with the job of making his dream come true.

"Money manipulation cannot increase credit," says Mr. Whitehead. On a certain definition of "manipulation" we would agree. But he is aware, we suppose, that the people of England started the war with £900 millions of money and ended it with £2,000 millions. Where did the £1,100 millions additional credit come from? Not from any other country, for the technical reason that money does not cross frontiers (vide Mc-

Kenna) and for the historic reason that England's war borrowings from the U.S.A. were not greater than her loans to her allies. The explanation is to be found in orthodox banking text books, let alone polemical theses, and is that borrowings from banks create credit, and during the war the rate of borrowings outstripped the rate of repayments: credit was created faster than it was being destroyed.

What is true, and possibly what Mr. Whitehead has in mind, is that a borrowing community cannot expand or contract the credit borrowed, but can only pass it about from one man's account to another's. Unfortunately this is not equally true of debt. The borrowing (i.e., manufacturing and trading) community can so manipulate money, or participate in the process of manipulation, that, as seen during the Great War, the addition of £1,100 millions to the English people's deposits was attended by an addition of £7,000 millions to the National Debt. The difference say £6,000 millions, represents debt wholly fashioned out of money, which no longer circulates. New money cannot be put into circulation to replace it (even if the banks were willing) without creating new costs chargeable against incomes. Hence the burden of this debt has to be borne by current incomes ear-marked to pay for current production, and the interest alone accounts for nearly half the Budget ex-

Commenting on the statement made on December 17 by the Minister of Works (Mr. P. Semple) that the Dominion Government intended to make a revolutionary change in the monetary system, the Prime Minister (Mr. Savage) stated on December 18 that the Government certainly would control the currency and credit of New Zealand. It would begin to implement its policy of control early in the New Year. The policy would be given effect with the least possible disturbance.

penditure which current incomes must cover in taxes. It is a levy on purchasing power, which ultimately falls wholly on the consumer (for industry's taxes are included in prices). It reduces the efficiency of consumer-purchasing power partly by subtracting units of money out of the consumer's pocket and partly by adding units of cost to consumption products. If Mr. Whitehead requires a practical demonstration of the fallacy of the idea that purchasing power consists in factories, stocks of goods, etc., let him offer to pay the Revenue his taxes in kind at cost valuation!

Coming to his concluding paragraph we don't follow the steps of reasoning attributing unemployment to doles. We thought that doles were not paid to people until their disemployment had taken place. Anyhow, suppose that doles were abolished, or that the 3,000,000 dole-drawers fell down dead. The immediate consequence would be a diminution of revenue to industry amounting to say £4,000,000 a week. Industry would contract output and dismiss employees. These would cease buying, and cause another contraction of output, and so on along a continuous, though diminishing, progression of contraction. Meanwhile industry's overheads would remain the same in amount, and prices would have to be raised against consumers. The administrative expenses of the Insurance Fund could hardly be lessened, yet fewer people would be paying premiums, and so the rates would have to be raised. It is true on the other hand that the employer and the State (which means the consumer or taxpayer) would cease to provide their contributions to the original premiums, but when the whole complex of consequences indicated above is worked out it will be seen that doles do more good (or if you like, less harm) to the

health of industry than any alternative way of dealing with the unemployment phenomenon—mis-called a problem. If then, as Mr. Whitehead contends, Social Credit would double the number of people on the dole, the prospect need not alarm anybody, even allowing him the false implications of the statement in that bald form. For ourselves, we think the doubled figure, namely, 6,000,000, a fairly moderate one to start with. With a little time for adaptation industry could usefully dispense with another 3,000,000 workers on the present basis of output. But those who do not like the prospect need not be alarmed, because Social Credit starts by giving extra income, exercising extra purchasing power, to the whole population of say 50,000,000 people. The tremendous increase in physical output foreshadowed by this expansion of purchasing power will call for enough initial development work to employ all who want to, and are fit to work, for a considerable time.

As a matter of fact it is not essential to the Social Credit objective that anyone should cease working in industry. That is a matter affecting individual employers and employed. If the two parties agree that everybody should be employed that is their business, and they are numerous enough to get the Government to encourage or tolerate that policy. The criticism of the Social Credit advocate would be technical. He would point out that to employ more workers than necessary would involve the use of less efficient productive mechanisms and therefore a slower rate of output than was otherwise achievable. To illustrate by reference to the amusing story told by Mr. A. L. Gibson at the Central Hall Demonstration: you can easily employ 50,000 workers at a large excavation job if you set each to work with a salt spoon! On the other hand, if you decide to use one of the huge mechanical excavators now available, it is an absurdity to imagine employing that number. Probably not more than fifty men could get near enough to touch any part of the machine, let alone handle it. What of the other 49,950? Well, all we can think of is that they might sing chancies to cheer up the operators—an idea which calls to mind Perlmutter's ironical protest to his partner Potash when the latter engaged a young man as bookkeeper and explained that he liked the boy because he was a clever musician. "Vot," exploded Perlmutter, "and shall he write operas in our books?"

No, the Social Credit advocate leaves the question of employment to the common sense of the parties who will work the employment system. And it is hardly likely, seeing that they are consumers as well as producers, that they will renounce efficiency for the sake of job making. After all, the "Dividend" is not the final result. The final result is the conversion of the Dividend into goods and amenities; and the question of the volume of employment will depend on two things: (a) the output which is to be aimed at, and (b) the most efficient way of reaching and maintaining it. The first is a question of policy, which the citizen will decide; the second is a question of technique, which the engineer will decide. If the policy is to provide plenty of work, then the engineer will plan for a slower relative output; but if to provide the minimum of work then he can plan for the maximum relative output.

It is undoubtedly the fact that at present the majority of the working classes would prefer the idea of doing with less than the highest possible output to the idea of "not having anything to do." So it is correct political strategy to encourage them to vote for work as well as "Dividends." They are not yet in a condition to appreciate that idleness in the economic sense

Demand for Tasmanian Monetary Committee's Report

The Federal Royal Commission in connection with monetary matters (says "The Voice", Hobart) is not a satisfactory body, either in regard to its personnel or in regard to its terms of reference. However, let us hope for the best.

At its request, the Treasurer has forwarded to it six copies of the Report of the Tasmanian Monetary Committee, now being published in instalments in our columns. Mr. Lyons jeered and sneered at this Committee's work, but the Royal Commission will not be able to turn down its Report with vacuous laughter. The contents of that Report will compel the Federal Royal Commission to take it very seriously.

So many inquiries have been received from all over Australia for this Report, that the Government Printer has been directed by the Government to issue it in booklet form as soon as possible. The booklet will be available to the public at 1/- per copy, and at a discount of 25 per cent, for organisations or persons who require wholesale supplies.

It will probably interest the public to know that so many Federal Members have requested copies that the Treasurer has directed that an official copy should be sent to each member of both Houses of the Federal Parliament.

The fact of the matter is that this Tasmanian Monetary Report was and is an exceedingly important document, and may even become historic in Australia.

Food From the Air

Ever since man has lived air has given him breath. Now, by a miracle that makes mechanical transport look unimportant by comparison, the air is ready to feed him too.

During the war, Germany, seeking for explosives, learned to make nitrates from the air.

Today every great country is building its plants to perform the miracle.

Air goes in at one end of the machine. A whitish substance comes out at the other. The stuff is fertiliser. It makes food grow!

Perhaps this is the most important discovery in the world's history. It means that food can be grown for any population, however large.

If the earth's population doubled the air would still easily yield enough of its goodness to make food for us.

—"Sunday Express."

need not be monotonous. For one thing many of them associate idleness with loneliness; and your calling it "leisure" will not effect the dissociation. The one great thing that should be stressed is that Social Credit will progressively invest them with the power to choose between working for a living and living without working. It is all one to the Social Credit technician, which they choose. His job is done directly the principle of the Dividend (and Price Discount) is applied and puts the power of choice into their hands.

Now that universal suffrage is in being the power of controlling policy, which is inert under the present system, will be active and will proceed from the "masses," as we call them. They will gain more influence in the counsels of the State by reason of the Dividend. A lot of people don't care for this; but that is because they have got the notion that the poor must always be opposed to policies that suit the rich. It is a fear that will pass, along with the passing of the fear of economic insecurity.

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"THEY"

[We reprint, without comment, the following rather surprising article which appeared last month in the leading financial paper of Britain, the London "Economist."—Ed., "N.T."]

A distinguished person, who had just received a title, was being congratulated by a friend.

"You ought to have had it long ago," said the friend.

"Well, actually three years ago they told me . . ."

"Excuse me," interrupted the friend, "but who are 'they'?"

There was no answer.

"I wish you'd tell me," said the friend. "I'm always hearing about 'they' and what 'they' do, and I've come to the conclusion that if only I knew who 'they' are, I should know who governs us."

Who does govern us? When we were very young indeed we used to think it was the King sitting on his throne with a crown perched on his head. Later on we knew that that was a childish fantasy. Really we were governed by the Prime Minister or by the Cabinet or by Parliament. Time passed, and we knew that that was a boyish fantasy. Really we were governed by the Civil Service—those bureaucrats. More time passed, and with the wisdom of age we came to suspect that that was a middle-aged fantasy. We no longer believed that we were governed either by this man or by that, by this one element in the constitution or by the other. The power behind the Government and behind the Civil Service and behind (very much behind) public opinion is an anonymous, intangible, almost irresistible entity, which is almost always referred to by the use of the third person plural and takes its place in the unwritten scheme of the Constitution as "they."

Mr. Rudyard Kipling once wrote a short story, which he called "They." It was a very mystical story; for they were the souls of dead children who haunted a garden and were very elusive indeed. But their presence could occasionally be detected by a trained sense which knew how to search for them and where. They who govern us are not, perhaps, quite such insubstantial fairies as they in Mr. Kipling's garden, but they are scarcely less elusive or less difficult to detect; and although now and again by a miscalculation or mischance they are caught in the light of day, generally the observer has to know a good deal of their methods and movements before he begins to recognise their handiwork. In an age of publicity they do not court the limelight, and they prefer, as a rule, not to appear in person. In the intimacy of a room in Whitehall their arguments will be cogent and convincing; but they do not in the ordinary course make platform speeches, choosing rather to inspire and supervise the eloquence of others than to proffer their views and policy direct to the public. They like to do their business through a mid-

dle man, remaining themselves what the lawyers call "undisclosed principals." But for all their reticence and retirement there is no speech or language in which their voice is not heard. It is heard in the precise phrases of an Act of Parliament; in the undulating periods of an elder statesman; in the smooth pleadings of a barrister-politician; in the clarion calls of a great patriot; in the gruff pronouncements of a trades union leader; in the cultured voice of the talkie machine at the local cinema. Not one of these media will they in their catholicity disdain. But not often will you be allowed to catch the voice of Jacob in the speech of Esau.

Now and again some Paul Pry who has gone out hunting for vested interests will make a fuss and cause them a certain amount of embarrassment - - will even, when he has had a good day's hunting, drag one of them head, shoulders, trunk, legs and feet into the public gaze. Paul Pry cannot often obtain publicity for his complaints and criticisms, but sometimes he succeeds. Then John Bull realises for a brief moment that they are producing quite an astonishing amount of some commodity that is no good for anything except to produce some other commodity, and that this second commodity is being sold only because John Bull is subscribing £1 out of his own pocket for every £1 that the commodity sells for. He discovers, but is apt to forget rather quickly, that they are doing very nicely and drawing very pleasant dividends at his expense and for their benefit. Or—still more embarrassing—an inquisitive Yankee will launch an inquiry into how they sell their guns and shells and to whom, and how they start their panics and how they torpedo disarmament conferences, and into the stories they tell to the Press and the influence that they bring to bear in what is known as the Right Quarter. When that happens they must bestir themselves and set up the right smoke screen in the Right Quarter to obscure their past and future movements from sight and thought.

Sometimes even -- and this is perhaps most painful of all—they will fall out among themselves and publicly accuse each other of not playing the game in the Right Way. Then you may hear one of them openly complaining that another of them has not done the proper thing by him. It will appear that measures put forward and put over for their mutual benefit are being used too much for the advantage of one of them and to the positive detriment of another of them. But happily, most happily, open disputes among them are not usual. For they are men of common sense, and they appreciate the fact that if one of them has put prices up too quickly for the convenience of another of them, it is much better to talk the little problem over between them in private than to air the grievance in public and so lead to possible misunderstandings in the mind of the public. Between them, after all, there must be give and take, and with mutual forbearance and patience and a decent reticence there is enough for all of them. And anyhow dog does not eat dog. This very sensible line of argument will always appeal to them, and any little burst of irritation from one of them will be forgotten, forgiven and not repeated.

In the last four years they have had a splendid time. What with tariffs and quotas and marketing boards and subsidies, their interests have grown more and more firmly vested, and (what is nicest of all) they have reason to think that they will have the whip hand in future. "It may be", they will murmur into the ear of the Right Person, "that the public is paying a good deal for our products and that our show is, as you say, preposterously uneconomic, but you daren't let us down. It is true

that the Committee, which you so unnecessarily appointed to investigate, has reported unfavourably on us, but you daren't take its advice. If you do, we shall shut our factories, and then our workmen and our shareholders will suffer. And you will not forget that both our workmen and our shareholders (we refer, of course, to such of our shareholders as are of British nationality) have votes. Now be sensible. Go and make one of your perfectly splendid speeches showing how tariffs simultaneously raise prices for the producer and lower them for the consumer. And leave the rest to us."

So when we hear, as in time we doubtless shall, that a subsidy has been arranged out of public funds to encourage the growth of pineapples in Aberdeenshire, and that a marketing board has been set up for the better regulation of the sale of yellow trouser buttons in Great Britain and Northern Ireland, then we shall know that they, in the process of governing England, have seen the commercial possibilities of pineapples and yellow trouser buttons and what they get they will hold.

Singularly enough, and perhaps to give point to the hunt for "they", the "Economist" in the same issue, under the heading, "The Creation of Credit", published the following from a correspondent:—

There are sound arguments against the nationalisation of the Bank of England, against the project that Mr. Atlee, in picturesque and flamboyant terms, expounds thus: "If the Labour Party secures power, the first thing we will invade will be the Temple of the Golden Calf in Threadneedle Street — The Bank of England." But the argument advanced by a well-known writer in the Press, recently, is not among these sound arguments. He sells the pass at a low rate who uses so untenable an argument. His opponents will tear his argument to tatters and think, quite erroneously, that thereby they establish their own case. "The banks", this writer says, "cannot create credit out of the blue any more than an individual or institution that lends money. An individual lends his own money and the bank lends other people's money, but neither can lend money that does not exist." And again, "Banks must first obtain money from their depositors before they can lend it."

The confusion between credit and money is obvious. The banker cannot create credit. Quite so, he cannot. But then the above quotation slides into the statement that the banker cannot create money. He can; and he does. In the only sense that matters, the sense of purchasing power, this exchange of credit with his customer has created purchasing power. The alchemists sought to transmute base metals into gold. The banker does, and without elaborate apparatus, what they only dreamed of: he transmutes credit into money.

The banker cannot lend money that he has not got. Of course he cannot. But the very act of making an advance to a credit-worthy customer in itself makes the money that is advanced. The banker converts a good man's credit into money. The banker would not advance £10,000 to me; but then none of my intimates would; and they would show wisdom by their reluctance. The very essence of a banker's advance, however, is that it is made to one deserving of credit. What the banker is doing is to add his own guarantee to his customer's undertaking to pay.

His customer's credit is already money in a narrow circle, the circle of those who know him to be worthy of trust. The banker's alchemy has turned the money current within a tiny area into money current within a great area—indeed, throughout the commercial world.

"Caterers of Stupidity and Vulgarity"

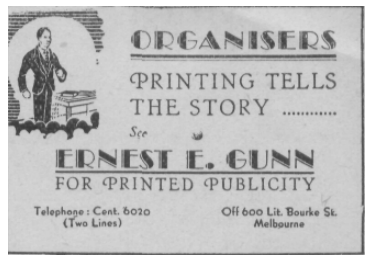
By a happy coincidence two of Melbourne's morning papers simultaneously issued editorials on Thursday of last week, which fell together like the pieces of a jigsaw puzzle. We have pleasure in reproducing parts of each.

THE "ARGUS."

The "Argus," attacking the ideas of Alberta and New Zealand in striking a blow against the money monopolists whom it consistently upholds (even at the expense of truth and honour), said:

"Mr. Savage, having become Prime Minister of New Zealand, has intimated that his Cabinet intends to utilise public credit for public purposes. There is no difficulty today in identifying the ideas with which the New Zealand Cabinet is toying, even if they are not expanded. The Province of Alberta, as a result of an election, returned a party inspired by the same high hope. During the last five years men of the deepest knowledge and widest experience of financial and economic matters have addressed themselves to the world depression. Conditions have improved considerably, and where there was despair there is now hope. Ordinary people will marvel at the supreme self-confidence of a group of inexperienced and uninformed men cast into office by political accident who fancy that at this time of day they would be able to contribute something new and of value on the questions without regard to what is being done in other parts of the world.

"Statists should supply an entirely new table in the Year Books including only those thousands of people who have become financial and economic experts



since 1930. Before that they knew little and cared less about the way in which money came, so long as it came. With adversity witch-doctors sprouted in every field, and here and there one became a Prime Minister in a small Dominion or Premier in a prairie province of Canada."

And nearly a column more of similar drivel.

THE "AGE."

To this the "Age", in an editorial headed, "Who Should Educate Democracy?" effectively made reply:—

"Without doubt the most potent factor in the education of democracy is a free press, which fully realises and faithfully discharges its heavy responsibility. But even as the press may be democracy's greatest tower of strength, so may it also be democracy's greatest source of weakness. More than any other governing system a democracy is sensitive to the impact of the press, and by no other means can youthful and thoughtless citizens be so surely misguided than by press organs having unworthy conceptions of their functions. It is a menace to which modern democracy is being increasingly subjected. Stunt newspapers are surrendering all claim to be considered educational. They are now mainly caterers of stupidity and vulgarity for democracy. They are in many instances content to be mediums for pitiable, humiliating exhibitions of inanity, which earn the disdain of every intelligent, self-respecting man and woman. All such manifestations represent the press at its lowest common denominator."

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—and some are better than others, of course. You will find that most of the best cooks give credit for their success to the ingredients they use. If you could take a peep into thousands of kitchens whilst cakes were being made or dinners being prepared, you would find PINK PACKETS on the majority of tables—the sign of good cooks. In those PINK PACKETS is Australia's choicest Maize product—KREAM Brand CORNFLOUR. That is the open secret of success in making many soups, stews, sauces, cakes, puddings and blanc-manges so delicious.
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In the Pink Packet

The Tasmanian Monetary Inquiry

(Continued.)

Rotary Research Pamphlet, No. 1

Mr. Robertson continuing said. —In Rotary Research Pamphlet, No. 1 (pamphlet by the Rotary International of Great Britain and Ireland), the following passage appears on page 14:—

"The money system is a social mechanism ostensibly to facilitate the production and distribution of goods and services—a system of 'tickets', which entitle the holders to demand what they desire. The function of money may be attached to a commodity having an intrinsic value, as in the case of a sovereign, or it may be attached to a practically worthless piece of paper as in the case of a bank note; or it may be attached to such a nebulous conception as 'bank credit,' which has no separate tangible existence, but is merely represented by ledger-entries in the books of a bank."

Report of the Bank of New South Wales

"I would," continued Mr. Robertson, "quote the following excerpts from the Report of the Bank of New South Wales:

"7th September, 1932.

"A declaration by a world conference that the leading central banks would co-operate to raise prices would doubtless have an important influence in stimulating investment activity. When investors have an assurance that central banks will actively engage upon a policy designed to raise prices, they may not hesitate to embark upon new projects. The fear of deflation is indeed more forbidding than the fact itself."

"May, 1932.

"It is evident that no proposal for further borrowing will be approved unless it is accompanied by definite indications that the Governments are doing all things necessary to reduce their expenditures in keeping with the condition of the time. This would involve a reduction in their establishments, with consequent additions to unemployment, but the problem of resultant unemployment is secondary, and should not deter Governments from taking necessary action towards balancing their budgets."

In the National Bank's November Summary, Page 13, appears the following statements—

"Banking was one of the first industries to be conducted on specialised lines. The reasons are fairly obvious. It requires an unusual degree of capacity, personal reputation, standing, and sound judgment to conduct a banking business with success. Those men who are the best equipped in the ways indicated became bankers,

Full Report of Parliamentary Select Committee

Editor's Note.—*The earlier parts of this important document, which is being reprinted in full in our columns, appeared in our last six issues*

and devoted the greatest part of their time and effort to the conduct of that section of the nation's business. Then, as now, men possessed in large degree of the qualities mentioned were not numerous, and, as a result, banks have not multiplied like many other sections providing for the needs of the people."

Mr. Robertson said. —"For consummate egotism and boastfulness, this paragraph would take some beating, particularly when it may be remembered that in 1893 the National Bank was one of the 13 banks out of 25 which suspended payment, confiscated the assets of the depositors, ruined thousands of producers, traders, and citizens generally, and then had the sheer impertinence to use the machinery of the Government to re-establish themselves and build up huge dividends and reserves for their shareholders while repudiating their liabilities and dispossessing depositors."

ORIGIN OF MONEY

The question of the origin of money was examined at some length. Professor Hytten was not willing to accept the statement of Mr. Reginald McKenna and many well-known authorities that money comes into existence through bank loans to industry or to governments.

The Chairman. —I would like to have a general statement as to where that money does come from. Does it come through loans to industry or not?

Professor Hytten.—It is very difficult to say if it comes through loans to industry. It comes into the banks in the first place as deposits.

The Chairman. —According to Reginald McKenna it comes out first as loans.

Witness finally agreed that the issue of money depends in general on the borrower putting up an apparently profitable proposition. At a later stage the witness admitted that all money has its basis in the commodities it represents, and that the value of the Commonwealth Bank Note rests on the credit of Australia. He, however, described as "nonsense" the statement of the London Chamber of Commerce Journal that money tokens equal to the value of goods for sale should be issued. He believed that

production had been so abnormal that everything should be cheap, and we are trying artificially to make everything dear. Here is an obvious instance where the interests of the consumer and those of the producer are opposed under the present system of finance.

The witness was very disinclined to admit the statements of McKenna, McLeod, and others that banks create credit to the extent of nine times their cash reserves.

Professor Hytten. —Where did you get those figures?

Chairman. —They are admitted time and time again.

Professor Hytten. —Where?

Chairman. —In the McMillan Report.

Professor Hytten. —In Australia it is one in six.

The witness was not prepared to admit that the £200,000,000 in the savings banks arose in the same way as the trading banks' money.

Witness. —I do not agree to add the two together.

Chairman. —Where does the money in the savings banks come from?

Witness. —Deposits.

Chairman. —But where do they get it?

Witness. —Numerous sources.

Chairman. —But where does the money come from? A large amount of money comes into existence through the action of the banks in lending it and there is £200,000,000 to be accounted for. Where does it come from?

Witness. —It originates from payments into the banks—deposits.

Chairman. —The deposits of the trading and savings banks and the Commonwealth Bank come to about £517,000,000. It has arisen out of £60,000,000 cash, which is all there is.

Witness. —Of course you are disregarding the turnover of the cash altogether.

The witness would not agree that the amount of money in existence depends, as Mr. McKenna says, on bank loans, etc.; thus no amount of turning over or velocity could alter its amount without further issues.

The question of turnover was raised at a later stage when Mr. Turner asked the meaning of "velocity of circulation."

VELOCITY OF CIRCULATION

Witness replied. —The number of times a given instrument of exchange-changed hands in a given time. If fast, it increases the efficiency of the amount of currency in circulation and therefore less currency is needed to do the same amount of transactions.

At a later stage witness stated that if £500,000,000 be all the money in existence and £25,000,000 were required to pay annual interest, this would be forthcoming through velocity of circulation.

Mr. Turner. —Obviously, the reason is that out of the £500,000,000 currency you use £25,000,000 to pay your interest—and round it goes again.

Chairman. —You have 100 gallons of water. A drought comes along. You agree to lend me 50 gallons on condition that I pay you 52 gallons back. How can I pay you back?

Witness. —Only if it rains in the meantime.

Chairman. —Exactly.

The borrowed 50 gallons may circulate. It may evaporate, as water does and it may all return as rain. But if that fifty is all that goes up, then it is all that can come down. So it is with money: £500,000,000 may be lent. It may go into the bank and out again, but it cannot grow the extra £25,000,000 required to pay interest.

Fresh money has to be created—in part at least—by the bank for that, and this means more debt and pledged securities.

The implication of Mr. Turner's remark is, that having paid the amount into the bank, the bank makes you a present of it again so that you can pay it in again next year; otherwise it could only come out—in part at least—as a loan or in purchasing securities; and in either case more security would pass to the banks.

The Chairman continued. —Professor Copland says:—'A given amount of money will circulate many times in a given unit of time. It will make many payments because it has what economists call "velocity of circulation".'

Witness agreed that Professor Copland meant that £1 paid to the butcher for meat and paid by the butcher to the baker for bread liquidates two debts.

The Chairman. —Major Douglas calls this a 'complete and major fallacy.'

Witness, however, did not agree that by "debt" was meant a debt charge or cost incidental to the production of meat or bread.

The Chairman then quoted from Major Douglas's reply to Professor Copland: "The butcher must renew his stock of meat from the £1 he received and also pay interest, overheads, etc., and only his profit was available for buying bread, i.e., liquidating the debt charge attached to the bread."

One pound may circulate through a group of persons an indefinite number of times and effect exchanges of commodities, but it will not repay more than £1 of bank debt incurred in the production of these commodities. In its complete cycle through the costing system it will create as many debts as it liquidates. This point appears to have been given very little consideration in speaking of "velocity" and "turnover." It is a very vital point and it is often ignored by those who contend that there is no shortage of purchasing power.

If one hundred people were in a market with a £1 note between them, each man might in turn buy his neighbour's hat for £1 and so buy £100 worth of hats with the £1. But the £1 could not defray the cost of production of more than one hat, or repay more than £1 of bank debt.

This difficulty to realise the effects of the circulation of money in industry and rise of debt is a very great handicap in reaching a solution of present-day problems.

OWNERSHIP OF MONEY

The question of ownership of money and/or the right to issue it was raised, and Professor Hytten was asked how the money would come into existence in a new community, which had previously been used to barter.

Witness replied that there would be no trade until the people had heard of money and commenced to understand it.

When asked how much notes and coin would be provided for in starting a new community on a large island where there was no money at all, witness stated that the amount would be arrived at by trial and error.

Chinaman. —Who would issue the money?

Mr. Turner. —Obviously, the Government.

Witness. —If you take it that money has some intrinsic value, the money has in the first place come from the person, who has produced it, that

is, a man may have found a solid lump of silver; he can go and get the Government stamp on it.

After further discussion, in which the witness seemed to have some difficulty in seeing that the owner of something of value was really the owner of the money issued to represent that object of value,

Chairman. —I have a cow, and it represents so many tokens. Would it be right for someone else to say that cow is worth so many tokens, which he has?

Witness. —No.

Chairman. —Is that the present financial system?

When we have an asset now, we deposit it in the bank, and the bank allows us to use finance equal to the value, and charges us interest on it—they are the only persons allowed to issue money.

Witness. —The money obviously belongs to the person who produced it or owns it in the first place. Bankers do not own money; they deal in money; they are a class of middlemen.

Chairman. —They are manufacturers of money?

Witness. —Very strictly, yes.

Chairman. —They manufacture money as you manufacture an asset?

Mr. Turner. —Owning the asset, you own the money.

But witness again seemed uncertain over the statements of McKenna, McKenna, etc., as to whether the banks create or deal in money.

The question of ownership of money may be illustrated by the following example:—

The Chairman. —Suppose the owner of a cow or some other valuable article makes a token representing its value, just as a £1 note represents £1 sterling. The owner of the cow surely owns the money reflection of it. As money is now created by the banks on some privately owned asset, the banks, instead of the owner of the asset, claim ownership of the money. The sum of the assets on which the banks create money makes up a large portion of the community's assets. All this money should be controlled by the community and belong to the owner of the asset instead of, as at present, being controlled by the banks who lend it to the real owner—the owner of the asset.

Mr. Turner. —It seems to me that the valuable thing is the asset . . .

The Chairman. —If all Australian depositors tried to draw their money out at once they would get a few pence, plus a request to have confidence?

Mr. Harvey, in answer to a question as to what the banks would do in such circumstances, said: "We would try to persuade the people they did not want their money."

(To be continued.)

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