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MELBOURNE, FRIDAY, JANUARY 17, 1936.

Every Friday, 3d

## Federal Ministry Provokes

### Japan

### And Deals Further Blow at Australian Farmers

### DEFENCE HUMBUG EXPOSED

**The Federal Ministry is spending over £7 millions a year on "defence." And it is following a course of action nicely calculated to provoke war from our most powerful potential enemy, or, failing that, to bring widespread ruin upon the wool and sheep men of Australia.**

Sir Henry Gullett, back from traipsing all over Europe in the vain search for one-sided "trade treaties," is well into harness for 1936. And he has begun Leap Year by making on behalf of the Cabinet as insulting a proposal to Japan as one nation could well offer another.

Australia, so the case runs, is quite prepared to negotiate for closer trade relations with the Japanese. But Japan must not expect any reciprocity in return for her purchases of wool and wheat (amounting last financial year to £11 millions). These are necessary raw materials, which Japan must secure from somewhere. If, however, she will extend her other purchases, the Ministry will be prepared to consider some kind of a preferential trade pact.

A little while ago our bright Federal Treasurer admitted that he did not know what public credit meant. After an equally plain admission from the Minister for Trade Treaties that he hasn't the vaguest glimmer of what international trade means, one feels that one can begin to size up what sort of a Federal Ministry is running this country into ruin—as exemplified by Mr. Lyons's increase of the public debt by £74 millions in the sacred name of Sane Finance.

Let us look into our trading position with Japan.

**SALES, £58 MILLIONS;  
PURCHASES, £20 MILLIONS**

Ever since we began to have mutual dealings it has been a lopsided affair. We have consistently sold to the Japanese far more than we bought from them. Last year our sales amounted to over £12 millions Australian, and our purchases to less than £6 millions. Over the past five years we have made total sales of over £58 millions, while our purchases have amounted only to a little over £20 millions.

How is Japan to make up this deficiency? Sir Henry Gullett and the Federal Ministry neither know nor care. Japan, they say, is buying principally wool and wheat. She needs these things, and so she must make her own arrangements for financing their purchase; it is no affair of ours.

But it is very much an affair of the Australian farmer, who expects to be paid for his produce in Australia and in Australian pounds. Japan can buy our goods only by getting hold of Australian pounds, and the normal way of doing this is to sell Japanese products in Australia.

**LONDON CREDITS AND WAR.** How has Japan got over this difficulty up to now? She has done it by first establishing credits in London to the extent of the deficiency imposed by our non-purchasing from her, which credits, being required for our payment of interest to English bondholders, overseas shareholders, and similar purposes, have been exchanged through the banks

by Australian governments, corporations or individuals for credits held by these latter in Australia, thus enabling Japan to secure Australian money.

But how has Japan established these extra London credits? By obtaining so-called favourable balances in her trade with other countries, by selling more to them than she has bought from them. This in turn has been difficult, since most of Japan's products are manufactured goods, made of raw materials, which she herself had first to import. That is to say, Japan is not in our happy position of being able to produce commodities such as wool, which, on account of climate and area, are difficult to reproduce elsewhere. Most of Japan's output for export is sternly competitive, and she is obtaining foreign markets to a great extent by ousting those who previously held them. Thus her cotton piece goods trade, as the press has been telling us for years past, has been built up at the expense of Lancashire, and largely by price-cutting. This in turn has naturally led to hostility, and, in spite of all you hear about Italy, Abyssinia and other places, it is important to remember that the nation now marked down by other nations for destruction—just as Germany, the great trade competitor, was in 1914—is Japan. Once Japan becomes involved, then you may fear the great explosion, which we are all dreading.

Our Federal Ministry's attitude towards Japan, therefore, is one

factor calculated to hasten another world war.

#### JAPAN'S COURSE

Up to now it is quite true to say that Japan must have those things, which represent the great bulk of her purchases from us. It is equally true to say that the Japanese, who are quite as intelligent as we are, will not be prepared forever to suffer the injustice we are imposing upon them. Japan has several other choices, all of which she is exploring. One is to exploit Manchukuo, which she is proceeding to do as fast as possible. It is said, however, that the climate of that country will not produce high-class wool. A second is to transfer her purchases of wool and wheat to countries, which will make equal purchases in return. This avenue also she is investigating. A third is to seek substitutes, a line along which research is proceeding, not only in Japan, but in many other countries.

Through a combination of the foregoing, the time may not be far distant when Japan will be able to say, "A fig for your wool and your wheat." But if she cannot get alternatives, then she may ultimately adopt the same course towards Australia, which Mussolini has adopted towards Abyssinia. Already there are mutterings in the Japanese press.

Either of these spells disaster—the one, to thousands of our primary producers; the other, to a nation faced with war against a country ten times more populous and more than ten times better armed.

These are gloomy prospects, but we should be burying our heads in the sand if we did not face up to them. For nothing is more certain than that our present course of action is heading directly for one or the other. Hence common sense dictates that we, on our part, should begin to cast around for some other line of conduct on our own part.

The real solution is to be found in monetary reform, but, before discussing its effects, it may be pointed out here how, even under our present financial arrangements, a satisfactory adjustment could be made.

#### THE DEFENCE VOTE

The Ministry is at present spending over £7 millions a year on so-called defence. If we have a potential invader to fear, that invader will generally be accepted as being Japan. Who else?

Where is our defence vote being spent? Most of it in England, buying warships and bombing planes from the armament makers. Incidentally, the biggest equipment we could hope to accumulate with our present financial resources would be no more than sufficient to enable a few of our brave young men to commit hari-kari in face of the Japanese hosts. But suppose that, instead of spending this money in England on war material—money in England, which roughly balances with the excess credits we are compelling Japan to establish there, and therefore Japanese money—suppose we spent it in Japan instead; what then would be the position? Simply

this, that Australian people could use and enjoy consumable goods from Japan, instead of sending warships to the Mediterranean; while our trade with Japan would balance, our friendship with our neighbour would be firmly cemented, we should have a good ally (as we had during the 1914-18 war) instead of a potential enemy, and we could look forward to a further increase instead of a decrease in our Japanese markets. For you must remember that Japan is anxious to trade, she is anxious to be friendly, and she would far rather buy our wool and wheat than go to the trouble of establishing semi-military Japanese colonies for that purpose.

This is what could be done at present. This is what would be done if our Ministry were composed of men loyal to Australia, if the defence vote were really what it pretends to be. At it is, we know quite well the purpose of that vote; it is being shown these days in the absence in the Mediterranean of the "Australia" and the "Sydney." The Mediterranean squabble is nothing to do with the people of Australia, any more than it is to do with 999 out of every 1000 of our kinsmen in England. It is far more intimately connected with the group of financiers associated with that oil company which our Attorney General recently laid aside his office in order to plead for. And what a group! Men who, while prostituting nations to fight the battle for their monopolistic grab, are yet so hungry for profits that they cannot bear the prospect of stopping the sale of their product to the enemy, even though they thereby arm the enemy against the very people they have decoyed into protecting themselves.

The defence vote, however, comes from taxation, and is an unsatisfactory and unnecessary way of balancing our trade relations. A far simpler way out could immediately be enforced once the people have taken the control of the nation's money supplies from the private bankers.

#### CORRECTING OUR MONEY SYSTEM.

Since Japan must pay for her purchases with Australian money, it is in the Australian money supply that our problem has its kernel. The farmer who grows wheat or wool does not thereby grow the money to enable its sale to take place. The only money increase which takes place through the operation is such as is supplied through the medium of a bank "loan" to the farmer, and which the farmer in turn disburses by means of payments for wages, materials and so on. As the bank always requires what it calls a margin of security, the total amount of money created in this way rarely if ever, balances with the real value of the farmer's production. Hence, as the same

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Rev. C. Irving Benson,  
Wesley Church,  
Melbourne.

Dear Mr. Benson,

What did you think of the decision of the Methodist Inland Mission Board last week, when three young missionaries of your Church were refused permission to marry? The board, it was stated, was very regretful that such a decision was necessary, but the men were allowed only £225 a year, and it was said that a wife could not be kept on less than £350 a year.

We would like you to set this decision alongside the sentiments constantly expressed at Pleasant Sunday Afternoons sponsored by you at Wesley Church. For instance, we recently had the statement of Mr. Casey, the Federal Treasurer that about 85 per cent. of Australians are leading reasonably comfortable lives.

As far as we are aware, you made no protest against Mr. Casey's utterance. Yet the recent census figures showed that the number of Australian breadwinners enjoying an income as high as £5 a week (not £7) was only 10 per cent of the whole. Does it not seem, Sir, that there is a very wide margin between Mr. Casey's standard of "reasonable comfort" and the minimum figure on which your Church considers that one of its

ministers should marry? Admittedly, your Board was considering conditions in the outback, but the daily press reports the Board as saying that, in addition to the monetary allowance, it would also have to build homes for the missionaries and furnish them. Neither homes nor fittings are built or furnished for ordinary breadwinners.

For our part, we desire strongly to support your Board's views on what should be the minimum income paid to any person, layman or minister, about to marry. We think £350 a year is little enough, apart from house and furniture. And we should like the Board, and you yourself, Sir, to realise that this minimum standard is easily attainable for every married couple. What is to stop it except the pen-and-ink creation of money? Everything else is in plenty except the bookkeeping entries.

The part, which seems to us most regrettable, is that a condition of affairs which your Mission Board believes desirable for the work of your Church, and which we believe highly desirable for humanity and for Christianity, is being deliberately hindered, instead of helped, by men of the very type whom you welcome in the Sunday afternoon pulpit of your own Church.

THE NEW TIMES

as the same thing is happening everywhere else in the community, there is not enough money in existence to enable the goods of the farmer and of everyone else to be sold at a fair price. This is the root of the opposition to imports, which comes from the protectionist press and the Australian manufacturer. For, if we do balance our trade with Japan, if we import Japanese goods up to the value of the farmer's exports, the shortage of money in circulation in respect of the farmer's goods is supplemented only by making still shorter the amount of money left to buy the manufacturer's output. Either the farmer or the manufacturer must suffer.

Think this over—if the production of goods were accompanied by an equal production of money, would it not be possible

1. To buy imports up to the full financial value of our exports, and
2. To have enough money left to buy the whole output of our own factories?

#### ILLUSORY IMPROVEMENT.

We talk of improving trade today. This comes about—in so far as it does, temporarily—only through an increase in our national debt, or through the putting out of money through such schemes as the erection of city buildings, flats and other edifices which are not sold, and for which the money issued through their construction is therefore not immediately withdrawn. Such money is used to supplement our chronic shortage. But the improvement is only temporary; fresh doses are perpetually required; and the general effect is to place both the nation and its property more and more in pawn to the bankers.

And it is high time that the men who are sworn to protect the country's interests and who allow this state of affairs to continue, either through roguery or through culpable ignorance, should stand their trial for high treason. First they have pawned Australia; now they are steering it straight for war.

## Poor Mr. Morgan!

Some days ago the Australian press published some pitiable laments from J. P. Morgan, the American international banker, on the privations (such as selling some of his hundred thousand dollar pictures) imposed upon him nowadays. Further revelations of Mr. Morgan's activities, not quite so calculated to excite our sympathy, are now coming out as a result of the inquiry by the American Senate Committee into his financial activities and profits in wartime.

We therefore take the opportunity of publishing some pertinent facts about the Morgan interests, as disclosed by Fr. Chas. E. Coughlin to the National Union for Social Justice in a nation-wide broadcast delivered last month (Sunday, December 1).

A correspondent had written to Fr. Coughlin in the following terms:—

"I wish to express my opinion that you are placing too much emphasis on the monetary phase of the depression and practically no emphasis on the industrial phase, which, if uncorrected, will certainly defeat the most clever juggling it is possible to do with money."

Here is Fr. Coughlin's reply: "I fully appreciate that, in my discussions on social justice, I have been emphasising the monetary phase of the depression. No one who has either listened to or read the addresses of the past three years can accuse me of minimising its industrial phase. I recognise, however, that wealth is not only concentrated in the hands of a few. More than that, industries and factories, their ownership and their control are likewise concentrated in the hands of a few. These few, as I have pointed out on many occasions, are the individuals who control the issuance and regulation of our nation's money."

"Two years ago I wrote the following:

"The J. P. Morgan and Company and Drexel and Company of Philadelphia, who are really no more distinct than a double-yolked egg, have twenty partners as members of the board of directors or trustees of fifteen great banks in this nation having total assets of 3,811,411,000 dollars.

"On seven holding companies they control fourteen directorships. The assets of these companies total 83,786,475 dollars.

"This same colossus of Wall Street has twelve directorships on ten railroad companies which represent assets of 3,436,666,000 dollars.

"Five public utility companies representing assets of 3,404,555,000 dollars have nine Morgan partners as directors.

"Eight operating utility companies with ten Morgan controlled directors are valued at 2,818,147,000 dollars.

"Thirty-eight of our largest industrial corporations in America have fifty-five of Morgan's

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partners acting as directors or trustees. These corporations are valued at 6,037,644,000 dollars.

"Six partners of the J. P. Morgan Company are directors or trustees of six insurance companies whose total assets are listed at 337,187,000 dollars.

"Now, besides that, there are over one thousand corporations related to the Morgan Company where the colossus acts in the capacity of non-partner directors and trustees.

"Leaving these latter aside and listing only the former where the partners of Morgan and Company and Drexel and Company—the twin yoke egg—are listed as being members of the board of directors or trustees, we have assets representing approximately 20 billion dollars. Include the others, the one thousand corporations, and the assets total approximately 40 billion dollars—one-sixth of the wealth of the nation controlled by one man!

"These are governmental figures—not my compilation. This is the financial giant—the Cyclops—with its one eye intent upon gazing at profits—the monster of money control against whose fantastic powers our President is fighting, I hope, for a nation's financial independence!"

"If the labouring man in this nation has any intelligence, he is compelled to see from these official figures which I have just reviewed that, before the industrial workers can unshackle themselves from the fetters which bind them to the heresy of production at a profit for the banker and the stockholders, labour and agriculture must first restore to Congress the right to coin and regulate the value of money.

"A sensible citizen will not advocate that the possession of a Thompson Machine Gun will be left in the hands of the burglar even though he has served his jail sentence. Take away from him his tools of operation and his machine gun. By the same logic the labouring men of this nation must remove from the exploiters of the poor the machine gun of private coinage and regulation of money, which is the prime cause but not the only cause, of industrial distress."

The annual report of the Public Health Commissioner of India reveals that the annual death roll of infants below one year of age is 1,750,000.

## BANKS AND THE CREATION OF CREDIT

MELBOURNE "HERALD" RESURRECTS AN OLD CORPSE.

"We may expect an answer to the familiar argument as to whether the banks create credit, or, as agents, merely use the credit created by the people themselves." —Melbourne "Herald," Jan. 14, in a leading article on the Royal Commission on Banking.

There is no longer any sincere "argument" on this subject, as all recognised authorities, even the most orthodox, are now compelled to admit that banks do create financial credit. Certainly bankers play very little part in the creation of real credit, which is the combined capacity and willingness of the people to deliver goods and services as and when and where they are required. The bankers' only contribution to this is their service as financial bookkeepers which, without the backing of real production, would give community life about as much aid as is rendered by the man who budgets for the expenditure of his Tattersall's winnings before he takes a ticket.

The criticism against the bankers is that, through their power to give or withhold financial credit, they arrogate to themselves, for their own profit and regardless of the people's interests, a dictatorship over the community's real credit, even to the extent of frustrating it by making financial accounting supreme over real production and human needs, as we see daily.

On the question of financial credit creation, we append, for the information of beginners, an article from the current issue of *Prosperity* (England), which shows how this financial credit creation takes place.

"The City Editor of the Times' on October 28 thought fit to devote his columns to a defence of the Bank of England.

"The defence merely asserts the stock-in-trade arguments. The Bank is the 'servant' of the Government; it carries out the State's instructions; it merely administers the monopoly of the note issue, it does not take a profit; it is only the agent for carrying out the Government's currency policy; its weekly returns are meagre out of consideration for its customers' business, etc., etc.

"Then the proposition that banks create credit' is denied. 'Banks cannot create credit out of the blue any more than an individual or institution that lends money. The individual lends his own money and the bank lends other people's money, but neither can lend money that does not exist.'

"Mr. Mark, in an appendix to his book, 'Analysis of Usury,' gives a very apposite refutation of the above statement, which may be useful to our readers, so it is reproduced below:—

"He says, 'It is still seriously maintained by large numbers of bankers and economists that banks do not create credit. It is held that banks lend only their depositors' money; the inference being that they cannot create credit if they lend only that which is already in the possession of some firm or individual.

"The true statement of the case nevertheless is, that, although banks lend their depositors' money, this process itself brings about a creation of credit. The following example paraphrased from C. P. G. Jacobs' 'Economic Salvation' will prove this.

"A person saves £100 and places it on deposit in a bank. The practice of the banks being to keep only about 10 percent cash reserve against their liabilities, £10 is held in the bank and the remaining £90 lent out to a borrowing customer, or invested in securities. In either case, the £90 ultimately finds its way back into the banking system as the deposits of some other person or persons.

"Although this £90 is really part of the original deposit, it can be lent again (less 10 per cent) to another customer or customers. The new £81 loan similarly returns as the deposit of some other person or persons and (less 10 per cent) can be re-lent to other borrowers.

"It should therefore be clear that while the banks are only lending the money of their depositors they are really in the process of creating credit by re-lending the same deposit or deposits over and over again. The following table compiled by Mr. Jacobs shows how this process is extended,

	Money Reserve held by Bank		Money loaned or invested by Bank	
	£	£	£	£
Original deposit	100	10	90	
Second ..	90	9	81	
Third ..	81	8	73	
Fourth ..	73	7	66	
Fifth ..	66	6	60	
Sixth ..	60	6	54	
Seventh ..	54	5	49	
Total	524	51	473	

'It will be seen that the series is finally completed when the following position is arrived at:—

"Aggregate bank deposits, £1000.

"Money Reserve held by banks, £100.

"Money loaned or invested by banks, £900."

All from an original deposit of £100 in currency, which is still the only real or tangible money in existence.

## Machines Without Men

The following paragraph from a daily newspaper is an example of the newest type of efficiency in saving labour in industry.

"Today I saw a truck of coal tipping itself into a hole in the ground at the Imperial Chemical's hydrogenation plant at Billingham. An hour and a half later, having zig-zagged for miles on foot and in motor-coach through forty acres of engineering plant, I saw petrol gushing past a peephole in a pipe at the rate of 120,000 gallons a day.

"Never in this long journey did I see more than twenty human beings. Of these only five were important, walking back and forward along a hundred yards of pressure gauges in the control room. With a few turns of the wrist they could almost instantly stop the heart-beats of this colossus."

London's underground railways provide another illustration of labour-saving efficiency. It is now possible to travel by tube to many parts of London with practically no human contact save that of your fellow travellers. Change and tickets are obtained from machines, an escalator lowers you to the platform, the doors of the train open and close automatically, and a loud speaker tells you to keep clear of the gates of the ascending lift.

"Armchair Science" tells us that:—

"Very up-to-date methods are used by road builders in Canada and the United States. Wherever possible, levelling, grading, banking and ditching are done by machines hauled by caterpillars or other tractors. As the roadbed is prepared in this manner, the machines are followed up by a continuous procession of truck mixers delivering ready made concrete of the correct specification. The concrete is smoothed and levelled by further machines, and after a short period of time to allow for the setting the road is ready for use. By these modern methods durable and skidless roads suitable for carrying two lines of traffic have been actually laid at the rate of a mile per day."

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## CIVILISATION'S CHIEF DANGER

By Bruce H Brown

By arrangement with the "Castlemaine Mail."

On the 4th January; the Melbourne "Herald" featured a Peace Appeal from the Archbishop of Canterbury and the Archbishop of York. This appeal was directed to "All Christians" asking them to put the Kingdom of God before patriotic instincts, and warning them that "Science, whereon civilisation relies, is forging weapons which may accomplish civilisation's own destruction", and that "only God's rule of righteousness, truth, honour, justice, and brotherhood among men can ensure peace." The "Herald" itself emphasised the appeal with the heading, "Civilisation in Danger."

Unfortunately, this appeal does not touch the root of the matter. The Dean of Canterbury, who is becoming famous throughout the whole world, and Father Drinkwater, of the Catholic Church, another famous opponent of poverty and the conditions which it breeds, have already informed all Christians that the dangers to civilisation arise from the private money monopoly now exercising control of world affairs, and that not one of the virtues of God's rule, as given above, can be found in the operations or objectives of that private monopoly.

### WHAT IS PATRIOTISM?

Patriotism is love of one's country, and this in no way runs counter to the Kingdom of God. In this mammon-ruled world, however, patriotism is prostituted to include the will and the desire to filch other people's countries for financial purposes. In the same way, science, instead of serving civilisation, is being prostituted to forge weapons of destruction to attain certain financial ends. If the power of the private monopoly to impose on us a monetary system based on financial forgery and erroneous arithmetic were eliminated, science could then forge plough-

shares and utensils in place of weapons. Not only so, but we would then have the opportunity to apply the rule of God. Our natural instincts regarding the Kingdom of God are a true ideal, and they are only remote from actual affairs because the present money and economic system is based on forgery and accounting error, i.e., on untruth. The only way in which the Kingdom of God on Earth can become actual is by adopting a financial and economic system based on honesty and accurate arithmetic. The Dean of Canterbury and Father Drinkwater have both pointed this out in clear and unanswerable terms, but for some reasons best known to themselves the two Archbishops prefer only to talk around it.

One thing, however, is certain. Church leaders in England are undoubtedly more awake to the increasing dangers to civilisation in the trend of current events than the Church leaders here appear to be. Even while ominous signs of earthly disaster are everywhere we find Archbishop Head and the Rev. J. W. Grove issuing New Year "messages" which are simply amazing. When we compare their utterances of today with the facts of today, we find ourselves completely unable to reconcile them.

### "WE ARE WONDERFULLY PROSPEROUS."

Archbishop Head's "message" included this: "We are wonderfully prosperous, and may look ahead to the return of the wealth of former days." Whatever did he mean by the words "prosperous" and "wealth"? The Oxford dictionary says "prosperous" means flourishing, successful, thriving. Leaving out the "wonderfully", if we really are prosperous, why have we so much preventable poverty, so much preventable suffering, and so many unemployed when there is so much to be done? In Victoria alone we need more hospitals, subways to Flinders Street Station, a new station at Spencer-street, more bridges, more outlets from the city to the southern suburbs, better roads to and from the main highways, protection of the bay foreshore from erosion, protection of Kensington and other low-lying areas against flooding, extension of water and irrigation services, sewerage and electric light for country towns, uniform railway gauge, telephone and wireless facilities wherever there are settlements, repairs and extensions at the University and the Art Gallery, repairs and extensions to school buildings, better accommodation at our asylums, better footpaths, and all the other things you can add to the list yourselves. All the material things required for these works are here in abundance (It is one of God's habits to give us something for nothing, and He keeps on doing it even though Archbishop Head has publicly disapproved of such a principle!) and our "governing" authorities admit their necessity. Why, then, are we not getting on with them? Every government and every local authority says, "We cannot finance it" or, "We have no money." Sir Stanley Argyle, Mr. Lyons, Mr. Casey, Mr. Dunstan, Dr. Harris, Sir James Barrett, Dr. Priestley, and even the Melbourne "Argus" were quoted last week in proof of this. A week earlier we had the testimony of His Majesty the King, the Prince of Wales, and our own Governor-General to the same effect. Over and over again it has been shown that there is no difficulty whatever regarding production and the physical means of distributing production. The whole thing falls down on the financial or accounting side, and this failure arises from the fact that our National Government

permits the control of this vital part of our economic organisation to be exercised by a private commercial monopoly having responsibility to none but itself. How anyone could conscientiously say we are "wonderfully prosperous", when our governments are so impotent to make use of the material things available in such abundance, passes our comprehension. It seems parallel with the case of Mr. Menzies, who went to England and judged its condition of prosperity from the atmosphere he encountered at bankers' banquets. In this case it would appear that the Anglican Archbishop has judged Australia's condition of prosperity from the atmosphere he encounters at the tea parties held at "Bishopscourt", and attended by the well fed and the well dressed. This may be quite in keeping with our past practices in measuring the nation's prosperity, but the time has come when we must measure the community's progress by the conditions provided for its humblest families.

### "THE WEALTH OF FORMER DAYS."

And what could he have had in mind when he said we may look ahead to the return of the wealth of former days? According to the Oxford dictionary, "wealth" means riches, large possessions, abundance, a great quantity or display. In all seriousness we ask his Lordship was there ever a "former day" when the real wealth of the world could be compared with the actual and potential wealth of today? He knows there was not. Production of the things we actually need is not only increasing by leaps and bounds, but with a decreasing need for human labour. Further than this, wealth in the shape of food, clothes and shelter is being deliberately destroyed or withheld while people go hungry, naked and cold. "Return" of wealth, forsooth! Wealth comes from the Creator and has never been withdrawn, but a lack of so-called wealth in the form of finance, which comes from the banks and is composed merely of ink on paper, has prevented the majority of people from having access to wealth. This lack of finance was deliberately brought about, and we are foolish enough to allow a bank-made pen and ink deficiency to act as an hypnotic barrier between us and the ever-flowing stream of God's gifts. Obviously, the Archbishop has confused wealth with money, whereas the terms are in no way synonymous. Money is only paper tickets and bookkeeping, but wealth is anything that produces human well being. Symbols have been confused with things.

### MR. GROVE ON "THE SIGNS OF THE TIMES."

Mr. Grove is the president of the Methodist Church in Victoria and Tasmania. Do you think John Wesley, the founder of that Church, would be pleased with the "message" issued in his name at this particular time? Read it. "The signs of the times are cheering. Australia is definitely recovering after the depression. If we can keep our heads, 1936 will bring happiness and prosperity." What are these "cheering signs"? Threats of war! Thousands leaving school with a hopeless outlook! Interest on bank-created pen and ink money alone taking more per head from us than the total taxation at the end of the war! A national debt 100 times greater than in 1862, with a population only four times greater! Widespread malnutrition! Increasing maternal mortality! Alarming falling off in the birthrate! Increasing numbers sleeping in public parks and searching refuse tins! Youths forced into thieving because they cannot get work and because "work" is still looked upon as the only

source of income for all except the privileged few! Old men doing laborious work for long hours while young, able-bodied men idly roam the streets! Would Jesus call them cheering signs?

What did Mr. Grove mean by "recovering"? The Oxford dictionary meaning for the word is "bringing or coming back to normal state or position." What was this normal state or position to which we are said to be recovering? Governments were borrowing at the rate of fifty millions a year, and it is only because governments and big institutions are again spending borrowed money freely that "prosperity" seems again to be on the horizon. Never was there a greater optical delusion, for round the corner is the ever-expanding volcano of debt. There can be no prosperity so long as governments can only function by going into debt to private interests.

### THE PLOT OF THE DEPRESSION

How glibly Mr. Grove also spoke of the "depression", as if it were an inevitable occurrence brought about by God Himself, when, as a fact, it was merely part of a plot. It may be defined as three things under one name: Firstly, the private financial monopoly manipulated the market prices and ruined the farmers; secondly, the same monopoly decreed that governments were to get no further loans of credit-money, and thus ruined those whose incomes depended on public works; and thirdly, the same private financiers adopted a world-wide policy of credit contraction through the calling in of bank overdrafts, and ruined thousands of business men. Each of these brought about a serious diminution of the amount of purchasing power in the hands of the community. A slight reversal of that process is now taking place to confuse those who have not wakened up to the swindle. Church leaders are in this category, and to call it a cheering sign is about as sensible as the remark of another Methodist clergyman that the financial system would be satisfactory if Christian principles were applied by those who operate it. The truth is that Christian principles cannot make one plus one equal three, nor can keeping our heads and recovering to the conditions of 1929 make the people's purchasing power equate with the people's production. It can only increase our debt.

With heads of great Australian Churches sending out messages of the description quoted it is not to be wondered at that the Church in its widest sense is not playing the part in liberating the masses from financial bondage, and in spreading the Kingdom of God, that we have the right to expect of it. Instead, we regret to say, it stands largely in the way of the spread of the Gospel as Jesus preached it, and openly supports the enslavement of the people to the credit monopoly, the placing of the real wealth of the community more and more in pawn to the private banking system, and the rendering of production absolutely subservient to money and to the private few who control money.

### WHAT PEOPLE SHOULD KNOW ABOUT MONEY

Everyone should be told that all money comes into existence as debt to the private banks, and that when the community is short of purchasing power it is because money has been cancelled by the banks. Let us give you the admission of Mr. R. G. Hawtrey, of the British Treasury, as follows:—

"I agree with Major Douglas that banks create money, and that trade depression arises from faults of the banking system in the discharge of that vital function."

The Dean of Canterbury, to whom reference has already been made, is the gentleman who said:

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"I do not have to prove that banks create our money. The Macmillan Commission has already done that for me."

There are two kinds of money in every-day use, known as legal tender money (notes and coin) and credit money (cheques). The volume of the credit-money is governed firstly by bank policy, and secondly by the amount of legal tender money in the bank's possession. As the total amount of legal tender money in the whole of Australia is only about £50,000,000, and the bank deposits total about £550,000,000, it will be seen that for every £1 of legal money there is £10 of credit-money, all of which has been written up by the private banks as their own property and at practically no cost to themselves. It is through this credit-money and the cheque system that the community is controlled and robbed. In addition to the fact that practically the whole of our commercial activities are conducted through the medium of credit-money operated by cheque, there is also the fact that when governments borrow it is only credit-money they get. Do not imagine that the modest tinner you subscribed in hard cash to one of the loans actually reached the government. It didn't. It simply went into the bank till. What the government got was the bank's cheque. Actually the private banking system is in complete control of the nation's life, and exercises a power greater than Parliament itself. That, and that alone, constitutes the danger to civilisation.

## Maurice Colbourne on Prospects in Alberta

The London "Times" (Nov. 30) thus reports Mr. Maurice Colbourne, well known author and writer on economics, speaking at a meeting in the Albert Hall, London:—

Mr. Maurice Colbourne, speaking of the position in Alberta, said he did not know what Mr. Aberhart thought he was getting when he got the Premiership of Alberta, but what he did get was a province in debt. A debtor was not free, and an important point to remember was that Mr. Aberhart was not a free man. He must behave as a good debtor in the orthodox sense so long as he wished to preserve the right to experiment. A second point to remember was that Alberta was not autonomous in matters of currency and the control of the money system. Could Alberta become autonomous? That was a legal question and he could not resist the thought that if there was a legal appeal to decide whether Alberta should be permitted to conduct an experiment in financial autonomy the verdict would be in the same spirit as the verdict given at Washington when the "new deal" came up for judgment. Such experiments were not attacked until they began to appear to be successful, but before they were too successful they would be stopped. If such a fate should overtake Alberta it would not be a case of Social Credit having been tried and found wanting, but a case of Social Credit not having been tried. There was a much better chance in New Zealand, which was largely autonomous.

## To New Readers of the "New Times"

At a moment when the world is gorged with unsaleable goods and human bodies are crying out for food; at a moment when most of the press is gorged with items of undigested news and human minds are crying out for information, the "New Times" is endeavouring to put before you, without regard to whom it may offend, the truth of what is happening.

At the same time the policy of this paper is not mere destructive criticism; that, in view of what is happening on all sides, requires no effort at all—the facts alone provide it. The policy of the "New Times" is one of hope in the midst of despair. It is one that would lay the foundations of a happier civilisation without disturbing anything that is good in what we have. It spells prosperity alike for the producer and the consumer without upsetting private enterprise and with a minimum of government interference or control.

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## Those Who Draw Dividends From Death

The worst things suggested of recent years by writers on the armament racket were more than justified by official admissions made to the British Armament Commission last week by Commander Sir Charles Craven, of Vickers and Vickers Armstrongs. In the light of his statements the ghouls who rob graveyards appear immaculate when compared with the gentlemen controlling what is now generally known as the Bloody Traffic. For graveyard thieves merely despoil the dead, while the gentlemen who direct the various Vickers interests make their profit by *sending* men to their death. To turn the manufacture of arms or poison gas to gain is bad enough, in all conscience. A case might be made out for supplying them to one's own nationals, though it is hard to see why a private soldier should be compelled to undergo terrible privation and risk his very life for the slender war-time pay when others should draw dividends from supplying him with weapons to protect their far bigger interests. Still, a case might be made out for this, but what of those who not only make a profit by supplying arms to their own troops, but who likewise make profits through supplying arms to the enemies of their country? Yet this is openly and shamelessly confessed by Vickers.

These three open admissions were made last week:—

1. The Vickers companies, after the war, received money from a German armament firm, which manufactured Maxim guns during the war for use against British soldiers.

3. The same companies were financially interested in, and maintained an arsenal and docks, used against the Australian and British troops at the Dardanelles, right up to the eve of the war. The Turkish Government took over

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the enterprise during hostilities, but handed it back when peace was declared. The cabled evidence says nothing as to compensation, but presumably these patriotic Britishers were compensated by Turkey for the dislocation to their honourable business. Possibly they may even have received a bonus because it proved such an outstanding success.

3. Since the war the same Vickers interests, which acknowledge that they still have subsidiaries in such places as Spain and Japan, have consistently opposed disarmament—a phrase of Commander Sir Charles Craven being, "if Geneva or any other troublesome organisation upsets large submarines."

It is difficult to find words strong enough to condemn the evil activities thus exposed—activities traitorously carried on by men who should be arraigned for high treason, but who instead figure largely as recipients of knighthoods and other "decorations."

Who are the men at the head and forefront of this ghastly business? Look into the affiliations, and you will discover, once again, that they are closely linked up with the little gang of international financiers who hold the world in pawn. There is little difference to them, and apparently as little concern, whether they starve us into destitution or blow us into eternity.

Even here in Australia we find the Vickers interests represented by Knox, Schlapp & Co. Knox, Schlapp & Co. are located in Collins House, Melbourne, heart of the Australian banking web. The head of the firm is Sir Robert Knox. And Sir Robert Knox is himself a bank director.

## Those Building Figures

With the annual figures now beginning to trickle forth, we may expect some further window dressing for the summer sales of the recovery merchants. J. A. Lyons, signing a new phonographic record from his home studio, the Melbourne *Herald*, has already begun to "look back on 1935 with well-grounded satisfaction" (see *Herald* financial review of 15th inst.). The same journal in its issue of the previous day got quite a kick out of last year's building figures in Melbourne. "Back to Boom of 1929," it cried, and splashed photos and figures around its front page.

The significance of the building boom was expressed in the photos, which showed exclusively those barracks for temporary lodgers known as flats. "An analysis of the 1935 permits," said the *Herald*, "shows that 2839 were for private dwellings, of a total value of £2,481,078." The total permits numbered 9201, and their combined value was £6,560,704; from which it appears that only about a third of the building programme of 1935

was devoted to providing individual homes for the people, whether rented or purchased. Does this argue general prosperity? And do the figures of 2839 new homes in a city of nearly a million people, a city starved for homes during the last six years, indicate even that any of the leeway is being made up?

Whatever boom there was, as anybody with eyes has seen, was a boom forced by banks and bank subsidiaries in the desperate effort to keep things going a little longer by putting a bit mere interest-bearing money into circulation. When the *Herald* can say that 6000 or 7000 out of 9000 permits were issued for homes ordered and taken possession of, free of debt, by private citizens, then we may begin to believe its prosperity talk. New bank buildings, new flats in St. Kilda, and additions to Myer's and to Collins House leave us cold.

## The First Real Shortage

Almost for the first time for years, we have a genuine case of shortage in production, of orders, which manufacturers cannot cope with. The Royal Australian Air Force has, thus far, been able to obtain only 18 Hawker-Demon bombers and three Seagull-Amphibians, while it is reported that it cannot yet get delivery of 50 more already ordered, or even any information as to when an additional 42 which it is proposed to purchase will be available for shipment.

This will doubtless be hailed as a victory by Professor R. C. Mills, the distinguished gentleman of the Banking Commission, who two years ago demolished the case for monetary reform (which he is now appointed to try) with the triumphant assertion: "It is a common fallacy that the problem of production is solved, and all that remains is to solve the problem of distribution" (*Sydney Morning Herald*, Jan. 27, 1934).

Monetary reformers, however, may take courage; there is an explanation. It appears that Britain liked our bombers better than some she had ordered for herself, and which apparently were not so efficient as killers; hence she took parental liberties with our order (as she did with our "Sydney," now somewhere west of Suez). Meantime the bomber factories are going flat out to meet our needs.

And, anyway, we're not short of meat or wheat or milk or things of that sort—though hundreds of thousands of our people haven't noticed it.

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## THE MONEY MENTALITY

By VINCENT C VICKERS  
(A Director of the Bank of England  
from 1910 to 1919.)

I have never been able to blame or despise that great Pharaoh of old, who, time after time, refused "to let the children of Israel go"! How could a potentate of his great standing and ancestral experience be expected suddenly to associate a sequence of plagues amongst his people with peculiar wrath of a "new" God of whom he had no knowledge; whom few had even heard of, and whom none had seen?

It was only when a disastrous national tragedy was being enacted before his very eyes that, in desperation, the Pharaoh did eventually "let them go."

And so today, as it seems to me we have no right to expect that our modern "Pharaohs of Finance" should have immediately recognised the logic of the Money Reformer's arguments, or acknowledged the truth of his prophecies, and should therefore long ago have come to realise that these modern "plagues" of economic disequilibria, "over-production," tariff walls, unemployment, and universal discontent foreshadowing war, are and have been,

### "SMITH'S" AND THE BANKS.

In view of its past history, congratulations to "Smith's" on the following discoveries, as announced to the world in the editorial of its current issue:

"Banks acquire their assets from their liabilities.

"The more they owe the sounder they are.

"When it comes to debts, banks are about the only institutions in this world that seem to thrive upon owing them.

"There is in that country"—the United Kingdom — "£70,000,000 worth of coins, copper and silver, in the hands of the public, and about £420,000,000 worth of Bank of England notes. And the money which the banks owe the public, and on which the public can draw cheques, amounts to just over £2,000,000,000.

"Banks, therefore, can create money by making entries in ledgers.

"It is this power to create money which is the subject of world-wide attacks on banks."

\* \* \*

What has spurred "Smith's" on to this sudden awakening?

Possibly the following autobiographical note: " 'Smith's' three years ago had 80,000 shares which have since reached 25/- a share. They had to be sold at about 11/- a share, because the bank said so."

If "Smith's" will only keep on keeping on, perhaps some day there may be some meaning in its subtitle, "The Public Guardian."

direct or indirect results of the persistent refusal of "Finance" to "let the people go."

Surely it is only reasonable and natural that our "Money Rulers" should say of the Reformer, "Who is this ignorant upstart who dares to pretend that these economic plagues" are, even remotely, connected with the working of our ancient and standard Money System?" "Who is this 'alien' who would undermine our control of production and consumption by advocating his own new-fangled religion as a substitute?" "Naturally," they would argue, "those in captivity desire to escape from our jurisdiction to reach that mythical Promised Land flowing with milk and honey! Naturally, those in a debtor position wish to escape from their indebtedness! How fortunate that we Financiers have not been carried away by popular ignorance, and ill-founded sentiment, but have steadfastly continued to carry on the 'system' of our forefathers, which has been imposed upon us (at our suggestion) by Parliament itself! A system, which, with careful management, we control automatically with immaculate Gold; and continue to do so even when Gold is no longer available in adequate quantity!"

That is in broadest outline the "Money Mentality" with which the

would-be money reformer is confronted in his uphill task.

After all, with the sound of music resounding in the Market Place and the Bank Parlours and echoing in the high places of the city, how can we expect the still small voice of the money reformer to be heard above the din?

Nevertheless, the day will come when his voice will be heard, for it strikes a true note amongst a babble of discords. Let us, who are Money Reformers, continue to work with renewed effort individually and collectively; not with a spirit of ill feeling or animosity, but with full realisation that in the end, in spite of the power and influence of Finance, the truth will prevail.

And let us pray that history will not repeat itself, that our financiers and our orthodox experts and our Government will not wait (like Pharaoh) for a "National Disaster" before at last deciding "to let the people go"; for already the people are girding their loins; and they have none to guide them!

They are tired of making bricks without straw; they refuse to believe it is just or true that the intellect and influence of the individual should vary directly as his annual income. But they realise that the future of this country and the future of the Empire must soon be entrusted to a younger generation, with vigour, and imagination, and pride of race, and a great faith in the future destiny of the nation; so, in spite of all, the Reformers have hope. —*The National Citizen*.

## Bankers' Ramp in England

Well, cheerio, we are not the only country getting the bankers' squeeze. England is just at the moment undergoing as pretty a rape as even a Regent of the Bank of France could imagine. First the War Loan was converted to a lower interest rate, "greatly restoring" the nation's credit. Tough on the private investor who had bought War Loan. His income was reduced. But are taxes to be reduced? Oh, no! The lower interest on War Loan simply makes it possible to bring out new issues. The Government has just borrowed from the banks one hundred million pounds, and plans to borrow two hundred million more, for rearmament, just thirty times as much, incidentally, as it refused to spend for the relief of distressed areas. Of course national defence is now a necessity in England in view of Hitler's programme, but Hitler's programme has been induced by the operation of the loan accountability cycle. And the chief shareholders in the Big Five and Bank of England, viewing conditions as they are, have never failed to be big shareholders in Vickers.

—"New Democracy," N.Y.

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# The Case For Action

## Social Credit Without Technicalities

### THE OBJECTIVE.

The material reason why we associate in a community may be set out as better national house-keeping. This implies that the work to be done will be done as quickly and as efficiently as possible. Our objectives should therefore be:—

(1) The maximum of production, up to the satisfaction of all the needs of everyone.

(2) The minimum of effort and the maximum of leisure in supplying ourselves with what we need.

These things, which we may call economic security plus freedom, are those, which every ordinary household aims at, and the nation, being simply a multiplication of households, should naturally be expected to have the same aim. If anything is being omitted which should be done, or if any influence is upsetting the proper balance, then it becomes the principal and pressing duty of the government to put right whatever is wrong. In a democracy, where the government is elected by universal suffrage, where the people themselves are the government, there should be no difficulty in bringing this about, at all events as far as the majority are concerned.

The objective of industry is therefore goods plus freedom. It is not WORK.

### THE PRESENT POSITION

Viewing the community as a whole, how does its position square with its double objective?

In production its aim has substantially been reached. In the primary or rural industries our output has become so great that we have every year a vast surplus in wheat, wool, meat, milk, butter, eggs, fruit (fresh and dried), sugar and many other staple lines. Coal, gas, electricity, iron and steel, cement—we have no problems here. In the manufacture of food, clothing, houses and offices, furnishings and utensils, and the like, there is little we need or wish which we either do not or cannot supply up to our utmost desires. As for the few exceptions, people abroad are eager to furnish us with these, and quite prepared to exchange them with us in return for some of the things of which we have a real surplus. And it is no exaggeration to say that our production of most things could be doubled or trebled at short notice and with little difficulty.

The reason for this enrichment is partly our soil and natural resources; partly our wonderful variety of climates; partly the labour which is available; partly our accumulation of real capital, that is, of factories, plant, reserve supplies, etc. But chiefly is it due to our inheritance of intelligence, and of the marvellous fruits of this intelligence as applied to God's gifts, and particularly to the harnessing and adapting of non-human energy, or sun-power, in its varied forms of water, coal, gas, oil and electricity.

Turning to liberty, we naturally find that, in proportion as the sun is harnessed, so is man freed. If industrial production is not artificially hampered, if it is allowed to use the sun-driven machine to the fullest, every succeeding year and month see production increase on the one hand, and human release from national housekeeping drudgery—or what we call unemployment—increase on the other.

We have actually reached the position in Australia that less than one-sixth of our people are engaged in producing everything, which we use, and store for ourselves, and everything, which we export.

**From the community point of view, therefore, we have economic security and we have at our disposal an ever-increasing opportunity for leisure of liberty.**

The appointment by the Federal Ministry of a Monetary Commission of Inquiry is a double insult to the people of Australia; first, in the nomination of a personnel whose majority judgment, at least in so far as matters of major importance are concerned, is a foregone conclusion (unless, by some miracle of grace, Providence gives them a sudden and complete "change of heart"); and second, because inquiry is no longer necessary into causes that are obvious and which have long since demanded action rather than investigation.

As it is extremely unlikely that evidence will either be invited or be volunteered from the Social Credit movement of Australia, and as such evidence would be of no avail unless the Commission were open minded, we endeavour to set out below, as simply as we can, the outline of a case which has never yet been fairly answered and which to us seems unanswerable.

Regular readers of the "New Times" will find nothing new in this, but we would suggest to them that they might bring this non-technical statement of the case before such of their friends as are open to conviction but not yet convinced.

### THE IMPEDIMENT.

But while this is true of the community as a whole, it is far from true when we examine the community as a grouping together of households. Though there is plenty to go round, the majority suffer scarcity, while those who have the most leisure chiefly have it because it is thrust upon them. And at the same time as the community gives them leisure with the one hand, it snatches away their security with the other.

Nearly all our problems of today are traceable to this unbalanced distribution of goods and of leisure, and so we have in one quarter a movement towards Socialism or Communism, and in another a leaning to Fascism. All of these aim at some sort of a planned economy, or security, but a characteristic of each is force or compulsion.

If, in general, production is sufficient (as it is), and if our difficulty is merely one of distributing the things produced, then it would seem that the correction is to be found in some adjustment of our distributing mechanism. This mechanism is what we call money, or income, which is, to all intents and purposes, the only way by which would-be consumers can have access to the goods produced. Given sufficient money, the individual has no trouble today in attaining both security and liberty; without money, even the spiritual work of the community is sadly hampered. Given sufficient money, the State has no difficulty in carrying out its duties of providing for the sick, the aged and the destitute, or in undertaking any scheme of social betterment. Never do we hear a Minister say, "Where are the materials to come from?" or "Where is the labour to come from?" The everlasting cry is, "Where is the money to come from?"

Our problem is therefore one of money. Money is at once the key and the impediment to security and freedom.

### ATTACKING THE PROBLEM

#### —THE FIRST WAY.

There are only two just and sensible ways of dealing with this problem.

The purpose for which money was invented was to have a convenient way of distribution, or of buying and selling things. Hence the first requisite of money should be that its supply would always balance with the supply of goods available.

Some people say that the supply of money today is sufficient. Bankers say it. So do most of these glorified schoolmasters who act as bankers' paid advisers or chorus leaders, and who are called University professors of economics. And so do lots of other people closely associated with bankers, such as

Prime Ministers, presidents of Employers' Federations, and the like.

Very well. Let us assume that they are correct. If there is enough money in existence to enable all our goods to be sold at a fair price, then there is a very easy and simple way of removing all our difficulties.

Since goods abound, there would be no physical difficulty in giving the unemployed, the sick and the aged a standard of living at least equivalent to that of the basic wage earner. The goods are ready to be delivered to them if only they had the money. And, on our bankers' arguments, the money is there. Since these needy people have not got it, it must therefore be in someone else's hands—in the hands of bankers, of bank-controlled monopolies, and of the wealthy generally. So, if the bankers' case stands, it clearly follows that the State is bound in justice to take by way of taxation from the rich far more money than it does.

Not only should it tax them to provide for those whom it is the State's duty to provide for—but who are so shockingly neglected that the State makes far worse provision for them than it does for convicted murderers and other criminals—but the State should also carry out its public works by taxation, and not by loans.

Where does most of our national loan money go? Is it not spent mainly on wages to workmen? Has this not been the essential point that governments have demanded in all schemes put before them for loan allocations for years past? What happens to these wages? Are they not outlaid upon the purchase of ordinary consumable goods already produced? Therefore, if there is enough money in existence to buy these goods, and if the public works are in the interest of the community, then the public works also should be financed by taxing those who have a surplus of money.

Carry these processes to their logical conclusion, and total taxation would be more than doubled. How would the bankers and their friends react to such a policy? Yet it follows if their premises are correct.

Such a course is clearly impossible. And it is impossible for the very simple reason that there is not enough money. By way of illustration one has only to reflect that, if the total money incomes of the whole of Australia were to be lumped together and then divided out equally, we should each have a personal income of only about thirty shillings a week. Will any sane person, after looking around at our farms and factories, and after considering what one man with a machine can turn out in a day

suggest that a thirty shilling a week level is the best we can do for ourselves?

It is not proposed here to go into the theory or technical causes of the shortage of money. Suffice it to say that money is not correspondingly created as goods are produced, as the following simple example shows. Go into a shop and buy a three-penny packet of cabbage seed. You now have the seed; the florist has your three pence. Go home and plant your seed. In due course you will have a garden full of cabbages. You have increased the real wealth of the community. But where has its money supply been increased? How are you to get back more than your original three pence for your whole cabbage crop? Or from any other form of natural increase?

Taxation, if levied as a toll of money and not a toll of goods or labour, cannot secure a proper distribution of real wealth, which is not monetised.

### THE SECOND WAY

This brings us to the second way of attacking "our problem." Had our money shortage been merely sectional, then it would have been the duty of the State to adjust this by taking money from those who had more than sufficient and giving it to those who had not sufficient—such a process being limited always by the bounds dictated by justice. This is recognised in taxation all over the world.

But since the shortage is not only sectional but, to a far greater extent, universal—since the total money claims in existence would not be sufficient to clear all the goods off the market at a fair price—then it becomes equally the duty of the State to make up the money deficiency. If private individuals

attempt to issue money in the form of notes or coins we call them counterfeiters and sentence them to heavy terms of imprisonment; but if private individuals issue money in the form of book entries operated by cheque we call them bankers, give them knighthoods, and allow them to dictate the policy and administration of the entire State. Yet the main differences between the two are that counterfeiters' money is never more than a trivial portion of our entire supply, while bankers' money constitutes about nine-tenths; that bankers, unlike counterfeiters, destroy money as well as issuing it; and that bankers not only issue their own private money but charge interest on it forever.

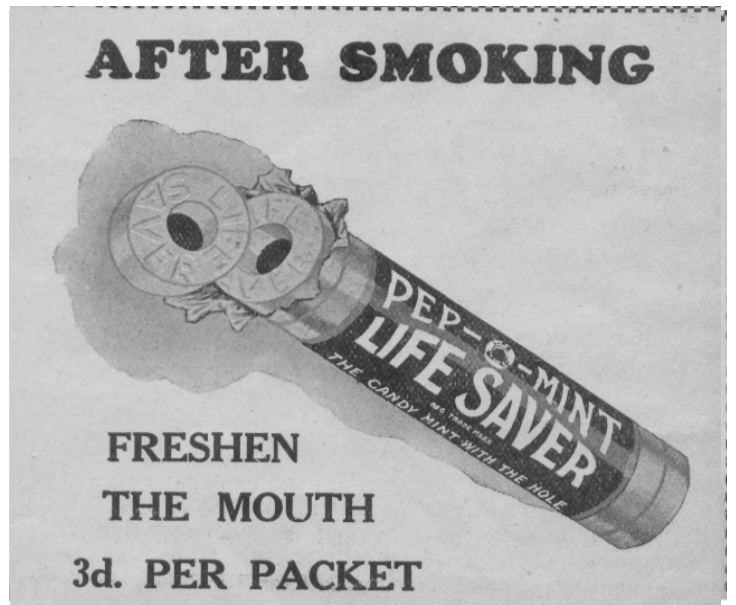
### HOW THE NEW MONEY SHOULD BE ISSUED—AUTOMATIC CONTROL

The State—that is, the community—in issuing this money, should look to two things.

The first is that the issue should not be controlled by any individuals, however trustworthy they may appear. It should not be controlled by Prime Ministers or by political parties or by economists any more than by bankers. Any such control would be fraught with the gravest dangers. The issue should be automatic, and should be governed, not by the whims or views of any person or party, but by the combined statistics of the production of real wealth and of the money, which is available to let that wealth be consumed.

### A NATIONAL DIVIDEND

The second thing to be looked to is that the issue of this new money should go to everybody in the community. Until now the title to share in the community's wealth (to have an income) has generally been derived from assisting, directly or indirectly, in the production of that wealth, that is, from work. But today we find that, owing to machines, human labour is a rapidly decreasing factor in production (hence the futility of strikes). Therefore even expediency demands provision for the unemployed, since if they cannot buy the goods produced, even the producers of those goods, being unable to dispose of them, are faced with ruin. On moral grounds also the whole community whether employed or unemployed, has the right to share in machine production. For, when a man invents a machine, universal law and practice admit his right to special benefits for a limited number of years. After that his patent expires, and his contribution becomes the property of humanity. The machines of today contain the fruits of innumerable patents long since expired; existing patents on them may represent only the one-hundredth or the one-thousandth part of their usefulness. Hence it is not right that any individual or





## THE CHURCH AND MONEY POWER

### What Should the Individual Christian Do?

By Fr. F. H. Drinkwater.

Under the heading, "Challenge To Religion Today," the widely-read London paper, "Reynolds's Illustrated News," is publishing a series of articles by prominent members of different religious denominations. The article below, which is the third of the series, appeared in its issue of December 8, prefaced by the following editorial note: "Under the inspiration of these fearless 'Reynolds's' articles, Christians throughout Great Britain are engaging in a wholesome searching of their hearts.

"Today the Rev. Fr. Drinkwater, of Birmingham, expressing his own personal views, discusses the message of religion today in the light of the teaching of the Catholic Church."

If there are really any people who object to the Christian religion concerning itself with social conditions, economic and financial systems, and such like, they will not get any properly instructed Catholics to agree with them. The Catholic Church has committed itself up to the hilt to the proposition that a complete rebuilding of the social order from top to bottom is urgently necessary.

The Kingdom—or Reign—of God is what the Church exists to spread. God must reign first in men's hearts, but also in all human relationships and activities, and certainly not least in the social and political field, where right and wrong are always at issue, just as in the individual conscience.

#### THE DIFFERENCES BETWEEN US ARE NOT GREAT.

True, the main thought of the Church is more upon the eternal destiny of men than upon their comfort during their brief journey through this life. But even on the former score, social conditions may (and at present certainly do) form, in the case of vast multitudes, a serious obstacle to the welfare of their souls.

These principles are lifted almost verbatim from the utterances of the Popes, especially the present Pope's encyclical letter ("Quadragesimo Anno") of 1931. The official title of it is not without significance: "On the Reconstruction of the Social Order."

Naturally I am not always able to follow my predecessors in this series, Professor John MacMurray and Dr. Belden, in their negations; but in their affirmations, in the genuinely positive elements of their social thought, they seem to me entirely at one with the 260th successor of the Fisherman.

#### WHEN WE FACE THE HARD FACTS OF LIFE.

In England, as elsewhere, religion can be used as a kind of opium; as a refuge or escape, so to speak, from the hard realities of life. Some people desperately need such a refuge, and I don't see why anybody should grudge it to them. Nevertheless, religion ought to face hard facts, and at its highest it is able to face all the facts.

Today one of the hardest of the facts is the ever-present danger of war.

It is natural enough that people should look to religion to take direct and drastic action against war—to prohibit the bearing of arms to Christians, or something of that kind.

Perhaps it will come to that. I can imagine after another European war or two, with civilised life obviously collapsing before men's eyes, and helpless usury-ridden statesmen drifting helplessly towards the next war just as they are drifting now—I can imagine the Pope of those days joining with the Protestant leaders, perhaps even with the leaders of Islam, calling on all believers in God to disobey their insane Governments and to refuse military service at all costs.

Such action would be quite justifiable, because in its own sphere of moral judgment the Church's authority is equal to

that of the State; is, in fact, greater. But no such action is yet possible—the terrible education of circumstances has not gone far enough.

Meanwhile, what should the individual Christian do? Well, of course, he must refuse military service if he knows his country is fighting an unjust war—that is ordinary Church teaching. But should he become a conscientious objector in regard to all war on principle, on his own authority? The answer to that must be no; that way madness lies—anarchy and disintegration of society, every man a law to himself.

I have loved Mr. Lansbury, as everybody else does, ever since I heard him speak about 25 years ago in Birmingham Town Hall, at the time of Jim Larkin's Dublin strike. But as for his recent pacifist discourses, isn't it ultimately true to say that their safe delivery depends upon the continued existence of the British Navy? That seems sufficient answer to "Christian Pacifism" as it is called—rather oddly called, because such rose-coloured fantasies have little enough to do with the grimly realistic Mind of Christ shown to us in the Gospels.

No; War is only a symptom. Christians who wish to think as honestly as their Master must search behind War to the things that cause it. Capitalism, if you like; but, personally, I no longer use any words that end in "-ism"—they are all lazy words, double-meaning, question-begging. Modern wars, like all our other modern troubles, are the outcome of human Greed and especially of human Greed using Money as its instrument. The Money-Power, the Usurer enthroned, the Kingdom of Mammon—there you have the real Giant that Christian has got to tackle if he can screw up his courage to it.

"Immense power and despotic economic domination are concentrated in our days in the hands of a few." (It is the Pope speaking.) "This domination is most powerfully exercised by those who hold and control money, and therefore govern credit and determine its allotment. They supply the life-blood, so to speak, of the entire economic body. They grasp in their hands, as it were, the very soul of production, so that no one can breathe against their will."

With Press and Cinema almost entirely in the hands of Big Business, and the Radio controlled quite openly by the Bank of England, the Pulpit may regain its old power and the so-called "coward's castle" may become the final refuge of free speech.

But even more clear and urgent is the corporate duty of Christians to stand up to Mammon on behalf of the Unemployed. The average ecclesiastic, like the average churchgoer, and the average non-churchgoer, has not yet grasped the fact that, in future, as things are now, however much trade may improve, there will always be an increasing number of unemployed, two or three millions at least, to say nothing of their wives and children. At present, it is taken for granted by everybody that the disemployed part of the nation should be plunged into poverty and be just allowed to exist upon

the scraps thrown to them by the employed—in other words, upon public relief money raised by taxation.

#### GOD AND MY NEIGHBOUR AS I SEE THEM.

When it does dawn upon the Christian conscience that unemployment is now a permanent institution, I am sure something will happen about it. Anyhow, I cordially agree with Dr. Belden that the Church of today cannot tolerate any longer the existence of compulsory Poverty.

In so far as religion might be content to go on watching the slow starvation—physical, mental, moral—of the unemployed, I would become a contemptible hypocriety—"the pseudo-mysticism of comfort-sodden Christians who have forgotten the imperative humanities of Christ."

The existence of the Family Means Test especially is like a lightning flash or the Day of Judgment itself, the terrible way it reveals the real inward attitude of men towards God and their neighbours.

#### POVERTY IN THE MIDST OF PLENTY MUST END.

If the Sacrament of the Holy Eucharist means anything at all, it means at least that we are gathered together as children of the Family round our Father's Table, and must share what He gives us. And if there is one Christian body which more than others in this country should wear sackcloth for its slowness to appreciate the desperate plight of the unemployed, it is the Catholic and Roman Church of which I am unworthily a member, just because we above all have contemplated the full intention of Christ in the Eucharist, and have held to a more constant use of It in commemoration of Him. May God forgive us all!

I believe there are some people who pour scorn on the phrase "the Age of Plenty." Not so the present Pope. He says that the Age of Plenty has arrived, and we must get it distributed. "The material goods so abundantly produced in this age of industrialism are far from rightly distributed among the various classes of men."

The social order (he says) will be on a true basis only when it ensures for every individual "all those goods which the wealth and resources of Nature, technical progress, and social organisation can give. There ought to be enough not only for all necessities and reasonable comforts but also to raise men to that higher standard of living which, if prudently used, is not a hindrance to virtue, but a singular help."

You will ask me, why don't all Catholics know about these teachings of their Church, and other such (there are plenty more—some very startling—I only wish I had space to mention them). The only answer I can give is that I hope they soon will. Even if they did, many of them would not take it much to heart; for most men are conservative by temperament, and the Church is for all temperaments as well as for all tribes, peoples and tongues.

#### CHRISTIANITY IN COMPARTMENTS.

Think a moment of the millions and millions of working-class folk who obviously insist on voting Tory at election time: I don't say they're right or wrong, but anyhow they give you a glimpse of the profound resistance to change that exists in many types of human mind, and such characteristics do not cease to operate in people who come to church. Consequently, I do not expect to see the Catholic Church as a whole, or any other Christian body, turning itself unanimously to revolutionise the economic system.

On the other hand, Our Lord's Church can never cease to transmit His teaching even on these somewhat inconvenient

topics; and, what is more, He lives Himself in His Church all days, and His spirit and power are always liable to break out afresh in creative activity to renew the face of the earth.

To put it in psychological terms, the Christian religion is still and will always be incomparably the greatest and most inexhaustible reservoir of motive-force on earth.

What is needed, as long as Christians continue to occupy these ridiculous separate compartments, is that, at any rate, the men and women of social goodwill in the various Christian bodies should get to know each other, even over the compartment walls, and begin to act together, not in any mere spirit of "finding a formula," but in work towards the concrete objectives which they genuinely have in common.

#### THE BEST REVOLUTION YET TO COME

On that condition, I think anything might happen any time. Communism we have seen, and we have seen Fascism; but the best revolution is yet to come, if only we keep the Faith.

Professor MacMurray, I was glad to see, did not forget to quote the Magnificat: "He hath put down the mighty from their seats, and hath exalted the humble. He hath filled the hungry with good things, and the rich He hath sent empty away." Yes, it was the Maiden of few words who said that, Mary the Mother of Jesus. Only, Professor dear, when she said it, she knew for certain that He was coming!

To provide for the full and complete life it is estimated that every family in the United States should enjoy an income of around 4400 dollars a year, and to produce the goods which would be necessary, present plant and manpower are more than abundantly ample.

—The Canadian Engineer,  
October 8, 1935.

## "Social Credit" on Financial Commissions of Enquiry

A petition for an inquiry into the financial system provides exactly the opportunity which those who are now controlling the financial system most desire. It gives them an opportunity, at the very least, to influence the personnel of the Committee of Inquiry; it enables them to ensure that the agenda of the Inquiry will be such as can be turned to their account, and it enables them to use such evidence as may be put forward, not for the purpose of bringing in an unbiassed report, but for the purpose of taking steps to see that the ends of the petitioners are not attained.

Finally, should, as is almost inevitable, the findings of the Committee be adverse to any comprehensive scheme of reform, these findings are invested with an authority which they neither deserve nor should have been allowed to assume, and as a result of this they are referred to in any future agitation for the reforms which have been adversely criticised as having already disposed of the matter.

The Majority Report of the New Zealand Monetary Committee, the personnel of the Australian Monetary Committee now about to sit, and the personnel of the Irish Monetary Committee now sitting, may be cited in confirmation.

Finance would welcome such a course, undertaken in all good faith, costing money and energy rousing false hopes from which the reaction, according to temperament, would be either hopelessness or violence. It is, let it be admitted, a fine conception, but it belongs properly to a past age.

—"Social Credit."

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# The Tasmanian Monetary Inquiry

(Continued from our last issue.)

## INDUSTRY NOT SELF-LIQUIDATING.

The following statement was put forward by *F. H. Ault*, Engineer in the Telegraph and Telephone Department of Hobart:—"Industry is not self-liquidating, that is, it is not paying its way, for, if it were, public debt could not increase. The world's debt is growing as the fourth power of time, time being taken in units of 100 years, and at this rate of increase it is calculated that in about 25 years from now interest payments alone will absorb every penny of the world's income. Some idea of the rate at which debt is growing may be gained from Australian figures. Thus, in 1860 the debt was £12,000,000; yet, today, it is 100 times greater, whilst the population is only four times greater. Debt in Australia has grown 25 times faster than the population.

"It should be clearly understood that the Douglas Social Credit Proposals are propounded as suggestions, which, if adopted, are likely to produce the obviously needed reform of the monetary system. They make no pretensions to completeness in detail, but the basic principles of national control of credit, the national dividend, and the just or compensated price are claimed as fundamental to any scheme of effective monetary reform which will preserve individual liberty. These three principles presuppose national control, but not necessarily the actual creation, of financial credit."

**G. D. H. COLE AND THE SOCIAL DIVIDEND.** G. D. H. Cole's Advocacy of the National Dividend. —Extract from "Principles of Economic Planning," pp. 251-2. —"The most appropriate way of distributing incomes would appear to be one which would involve at the outset a recognition of the social character of the greater part of the wealth produced, and would accordingly attribute shares in this wealth to all members of the community by virtue of their citizenship, after deducting whatever might be required for carrying on those services which they provide in common. Thus, after providing for these common services, it would appear most desirable to distribute incomes mainly in the following ways:—

- (1) By distributing to all members of the community a social dividend as their shares in the common social heritage—the only condition for the receipt of this social dividend being a proved readiness to play their part in the common tasks and

## 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 nine issues

duties of the whole community; (2) By distributing to all working members of the community smaller supplementary payments on a scale sufficient to afford such money incentive as may continue to be needed in order to get the work of society efficiently done."

*G. D. H. Cole* advocates the issue of non-repayable presents of purchasing power to consumers; subject to a condition that new gift money is not used as an instrument for correcting the continuously restrictive tendency of sectionally planned capitalism.

Extract from "Principles of Economic Planning," p. 208. —"Let the State, it is urged, create more purchasing power, and more production will speedily follow. I do not dispute this. I agree that, if the State makes a present of new money to consumers—not a credit advance, repayable later on, but a present—the effect will be to stimulate additional production."

### PRESENTS OF PURCHASING POWER.

Extract from "Principles of Economic Planning," p. 213. —"When the need arises to increase the supply of money, I am suggesting that the increase ought to be made, not in the form of increased loan credits to either producers or consumers, but of non-repayable presents of purchasing power to all the citizens, save to the extent to which the State decides to use the money itself for public purposes."

### SECURITY AND RECOVERY

*Mr. A. E. Watson*, this year Chairman of the Associated Banks, said. —"Since we were here before, I have given quite a lot of time to this subject, and I have read as much as I could. From what I have read it would appear that, if the fear of war was vanquished and a feeling of security could be acquired in Europe for, say, 30 years, the intense economic nationalism that has been clogging our trade for so long would be mitigated to a very great extent, etc."

Thirty years seems rather a long time to wait for the chance of this suggestion being correct. It is questionable whether humanity could survive the strain of increasing debt with its attendant wrecking of life and happiness.

On the question of creation of credit, *Mr. Watson* said. —"One point I would like to emphasise is this—we do not create credit out of nothing; we cannot safely create credit out of nothing."

Let the word "safely" speak for itself.

*The witness continued.* —"Give creditor nations a chance to lend money safely on long terms to stable borrowers for developmental purposes, and I am sure that most of the forces affecting the trade of the world today would disappear in a few years."

The reply to this is:—When creditor nations can find stable borrowers, recovery must already have taken place.

This also seems to show that the banks' one idea is to lend money to governments to provide purchasing power through wages spent on public works and at the same time increase the amount owing to the financiers—the result being more debt and more taxation until the final crash.

*The witness said.* —"When times are bad and private enterprise lacking, I think governments must step in and fill the breach and go in as far as possible for reproductive works that will have some use in the future."

"As machinery and technique in industry improve, it is reasonable to assume that costs of production will decrease and the margins of profit enlarge" (presumably by decreasing total wages and lowering purchasing power?). "I consider that both employer and employee should share in this increase in profits from enterprise."

### BANKING.

*The witness said.* —"The Bank of Amsterdam . . . realised that people did not come in and take the whole of their deposits every day, and thus it was quite safe to use a portion of these deposits and lend them out to other clients."

*Chairman.* —"Quite safe and quite honest?"

*Witness.* —"Yes, as long as it paid 20/- in the pound."

It is, perhaps, not very easy for a layman to see why a bank should lend what does not belong to it and get interest, and be called quite honest if it gets the money back in time to meet the demands of the owner of the money; while it is recognised that it is quite dishonest for a trustee or shop girl to gamble with trust funds or till money, even if the gamble succeeds and the money is replaced before discovery.

### BANK FAILURES.

In reply to a remark that there have been at least five periods of bank failures in Australia, the *witness said:* "They were small."

This view is small comfort to those who lost their money.

As opposed to *Mr. Watson's* contention, we quote *Mr. Frank Anstey*, who was for many years a member of the Victorian Legislature, and later a member of the House of Representatives and a Minister of the Federal Government:—"The 'Commercial' was the most notorious of the defaulting banks. It declared a 12 per cent dividend, and then closed its doors upon 30,000 depositors and millions of deposits. It then appropriated one-third of the deposits as 'preference' capital, and gave receipts on the indefinite future for the two-thirds balance. Other banks followed the 'Commercial's' example, and thousands of depositors were left penniless compelled to sell their deposit receipts and their compulsory shares for a fraction of their face value. The directors of these fiduciary institutions had cross-loaned to each other enormous

sums of other people's money, yet, while they were pushing other people to the wall, they conspired with each other, met in secret, and wiped off their mutual obligations for a few pence or one farthing in the pound. They kept their assets, gave each other clean receipts, and got through the legislature of the State an Act of Parliament making it an offence for any person or newspaper to give publicity to their scandalous secret 'compositions.' They not only wiped off each other's debts to the institutions they controlled, whose depositors' money they had borrowed, upon whose remaining assets they had foreclosed, but from these foreclosed funds they again 'borrowed' to purchase the scrip and deposit receipts of the thousands they had ruined. Thus, these financiers, trusted custodians of other men's money, emerged from the struggle more wealthy than ever." "The memory of this smash," says *Mr. D. J. Amos*, F.A.I.S., "and consequent distrust of the Associated Banks, persisted for many years in the minds of the Australian people, and when, after the formation of the Commonwealth, the second Fisher Administration came into power in 1910, it brought with it a mandate from the people to reform the Australian Banking System."

### BANK'S RIGHT TO INTEREST

*The Chairman* then read an article by *Mr. H. T. N. Gaitskell* (Lecturer in Economics at University College, London), dealing with Bank Creation of Credit. This article appeared in the "London Economist" of May 25, 1935.

After dealing somewhat fully with bank creation of credit, *Mr. Gaitskell* said. —"It is true that their profit arises from the difference between the interest received on the debts they own and the interest they pay on the debts they owe."

## SHOT AND SHELL

[With acknowledgments to "Social Credit."]

Sale of herrings for curing purposes now prohibited on East Coast by Herring Industry Board until midnight, January 31, 1936. —"Sunday Graphic and News," November 17, 1935.

Production of whale oil in 1931 and 1932 was three times the quantity prior to 1928. Norwegian Government has officially restricted catch period to between December 1 and March 15; in previous years this was November to May. —"Financial Times," November 11, 1935.

Export duty on native rubber advanced to twenty-five cents per kilogram. Price native producer receives is hardly more than three cents per kilogram. It is, therefore, expected that native production will be gradually reduced. —"Daily Express," October 22, 1935.

Rubber is now being made from gas. Resultant product is superior to natural rubber in many ways. —"Sunday Pictorial," November 17, 1935.

Spanish Government, in endeavour to relieve over production of wine, tested extract of grape juice as petrol substitute, but engines refused to work. Still high quantity of grapes has been "used." —"Evening Standard," November 16, 1935.

"It has yet to be shown that they ought to retain this difference."

"On all that part of the new money which remains in various non-interest-bearing current accounts (that part which is in active circulation), the banks make a clear gain of the yield from the assets purchased. We may say, broadly, that from any increase in the volume of bank money other than deposit accounts, the banks secure gains exactly similar to those of the Issue Department of the Bank of England. It is suggested that the argument for reserving these gains for the community are as strong in the former case as in the latter."

*Witness.* —"I am afraid I cannot accept that."

To the question whether private banks should profit from the creation of credit, *witness replied*—"Do you want to monopolise the whole thing?"

The banks now do monopolise it all.

*The witness continued.* —"What is the difference between buying and selling money and buying and selling goods?"

[In a footnote will be found a reply to this supplied by *Mr. David Robertson* in advance.]

(To be concluded.)

### FOOTNOTE SUPPLIED BY MR. DAVID ROBERTSON.

If money is to be regarded as a commodity, its value must be calculated on the same basis as other commodities, in which case the value of the whole of the money in existence in Australia is made up somewhat as follows:—

Gold held by the Commonwealth Bank in London	£500,000
Silver and Bronze Coinage (face value about	
£7,000,000)	2,000,000
Notes (face value about	
£47,000,000)	20,000
Bank Deposits (face value	
£500,000,000), say. . . .	*250,000
	£2,770,000

\*This figure is the estimated value of the commodities used, viz., pens, ink, and paper (including bank ledgers). The practice of regarding money not only as a commodity, but as the commodity controlling all other commodities, has given rise to the difficulties which now beset the community; whereas it is obvious from the particulars given that money is not a commodity at all.

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