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# THE NEW TIMES

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## Taxpayers' Associations—Or Bankers' Dummies?

The words, "Taxpayers' Association," would naturally convey to a simple person an idea of individuals banded together to seek reductions in taxation. For lack of a qualifying adjective he would also naturally assume that the objective was an all-round reduction. And so it would scarcely be surprising if he were to join the association, or at least to give it his heartiest support. For which of us does not wish to see a general lowering of our taxes?

The Federated Taxpayers' Associations of Australia, which have just been meeting in conference in Melbourne, have probably many members in the various States of the Commonwealth who do not realise to what ends these associations are working—just as the banks have shareholders who have no wish to play an anti-social part. But that is not to say that either may not be conducted in an anti-social manner.

### "A RACE OF MENDICANTS."

In August of last year we criticised the president of the Victorian Taxpayers' Association for his reported remark that "strong reason existed for the theory that Australians were fast becoming a race of mendicants." In fact, we characterised the statement as childish, and the theory as a damnable lie. We also challenged the truth of the alleged instance of "mendicancy" (the names and locality being, as usual, undisclosed), which called forth the Taxpayers' president's remark, and offered, if particulars were made available to us, to conduct a thorough investigation and to publish the results. We were not surprised when our challenge was not taken up.

We mention this incident to show the attitude towards the great mass of the oppressed people of this country, which is typical of the utterances of many of those most prominently connected with the Federated Taxpayers' Associations. For the gentlemen in charge of the affairs of these bodies seldom, if ever, exhibit one spark of concern for the common good. Rather would it seem that their object is twofold:—(1), To perpetuate the system of privately controlled finance which makes the rapid growth of taxation inevitable; and (2), as beneficiaries of that system to escape paying their own share of its penalties.

In support of this contention we would draw attention to three incidents, which attended

### McKellar White Asks for Less Taxes —with a Bigger Interest Bill

#### While H. E. Cohen Brews a Draught of Bank of England Bitter

last week's conference of the Federated Associations.

##### MR. MCKELLAR WHITE'S ADDRESS.

The first of these was the opening address of Mr. S. McKellar White, chairman of the conference. Mr. White, in reciting facts, very rightly drew attention to a state of affairs, which we will all agree to be atrocious. "Australia," he said, "is carrying one of the heaviest tax burdens in the world. In the last 25 years Federal and State taxation has increased by nearly 600 per cent, from £16,000,000 to £95,000,000. The figures for 1935-36 undoubtedly will exceed those for 1934-35. This cannot be continued indefinitely."

Having arrived at that conclusion, would you not expect Mr. White to have launched the full force of his attack against the only reason for this huge increase in taxation? Would you not have expected him to discover that by far the biggest item on which the tax revenue is expended is the payment of interest on banker-created money, which payment now entails over £50 millions of Australian taxation a year, or more than half our total Federal and State levies? Would you not have expected him to discover also that taxpayers are mulcted for pensions, primary producers' relief, unemployment relief and other charges simply because the same financiers to whom, in spite of all our taxation, we are in pawn to the tune of £1400 millions of Australian money, have seen to it that the total

amount of money issued is never sufficient to enable us to pay our way? Surely, if Mr. White were really solicitous for taxpayers, it is in this direction that he should seek a remedy.

But no, he gave no indication of any dissatisfaction with the money swindle. Instead, he protested against the cost of relief expenditure (remember "the theory that Australians were fast becoming a race of mendicants").

##### "FUNDS" AS WEALTH.

What was even worse from an economic, if not from a humane point of view, Mr. White proceeded to expound another of those childish misstatements which so many of our public men get away with by wrapping them up in abstract phrases. "The wealth," he said, "from which the future expansion of production must come was being destroyed. Funds that would be invested in industrial undertakings were being taken by taxation to be wasted in unproductive governmental expenditure."

How can the community hope for release from taxation while that sort of rubbish is the best protest it can make? What wealth does taxation take? If farmers were allowed to pay their taxes in real wealth—in wool, wheat, fruit, milk, and so on—they would make little or no complaints, since these things, like other forms of actual wealth, primary and secondary, are now easily provided. The whole trouble is that payments must be made in the form of claims to wealth—that is, money—of which the

manufacture is in the hands of a private monopoly, and of which the supply is never sufficient. Moreover, in so far as these claims to wealth are again disbursed by the government through works or doles, they almost invariably pass into the hands of those who use them immediately in the purchase of consumable goods, and thereby stimulate industry instead of retarding it.

But Mr. White, you see, accepts unquestioningly that money is wealth, and also that new production must be financed from existing money supplies. It would be interesting to hear how he proposes, if additional saleable wealth is to come into being without addition to the money supply, to enable the sale of this wealth to take place.

##### LOANS FOR DEFENCE

Probably Mr. White, for the moment, would fall back upon his defence loan project—which is the second incident of the conference to which we wish to draw attention.

In our issue of March 6 we wrote: "For months past, while the rest of the press was babbling about recovery, we have been warning the community that further deflation was impending. We now invite our readers to watch out for the next boomlet, and to see whether it will not be through bank loans for war preparations (if not for war itself)—interest rates, of course, being higher, so that the bankers may play their patriotic part."

Since then the propaganda leading up to a defence loan has been going ahead nicely, and the conference of the Federated Taxpayers' Associations duly played its part. The Melbourne "Argus" thus reported the sitting of Tuesday week: "Members of the conference were strongly of the opinion that the Federal Government's expenditure on defence should be adequate. Mr. McKellar White and the president of the Taxpayers' Association of Queensland (Mr. J. M. Campbell) suggested that defence should be financed by a loan. 'The Taxpayers' Association of New South Wales has passed a resolution that the cost of repairing the gaps in our defence should be spread over a number of years by the raising of a special long-term loan,' said Mr. White. 'Faced with a similar problem, Great Britain proposes, I understand, to raise by such a loan most of the money required for defence.'" Which, being translated, means that we are once again to borrow our way to prosperity.

##### THE SAME TAR BRUSH

So there you are. The attitude of the Taxpayers' Associations is indistinguishable from the attitude of the bankers' friends, the Associated Chambers of Commerce, whose Adelaide resolutions were noticed on this page last week. It will be noted, however, that the Taxpayers' Associations were even more explicit. The Chambers of Commerce were content to ask for lower taxation for themselves, to demand conscription, and to leave it at that. But the Taxpayers' Associations, after crying for lower taxation, went on to demand an increase in taxation by further additions to the national debt! Do you wonder that the heading of this article is "Taxpayers' Associations—Or Bankers' Dummies?"

"Money is wealth. Money must be kept in short supply by producing more wealth without more money. If there is to be more money, let us have it only as an interest-bearing debt to the bankers"—such is the gospel of Mr. White and his federated associates.

##### COHEN UNCORKS NIEMEYER.

Naturally this atmosphere was sufficiently congenial to attract Mr. H. E. Cohen, M.L.A., to deliver an address at a formal luncheon of the Associations. Mr. Cohen's oration is the third incident to which we desire to

Mr. A. C. Davidson,  
General Manager,  
Bank of New South Wales

Dear Sir,  
Permit us to offer you our congratulations on the honest and straightforward way in which you gave evidence this week before the Royal Commission in Sydney. To say the least, your candour was most refreshing when compared with the furtiveness of other bank managers who have preceded you.

We have before this commented on the honesty with which you have let the public into what the rest of the bankers in Australia try to keep as closely guarded secrets, and particularly regarding the power of the banks to create money and to influence governments, as explained in your public circulars of June 17 and August 19 last.

You have now added to this the open admission that the banks, by restricting or calling up loans, are destroying the people's money supplies, and that the objective in thus destroying consumers' incomes is to protect the banks' stability and to accumulate funds to pay London interest.

As London interest is payable either to the banks or to their nominees, this is equivalent to an admission that the unfortunate people of this country—now producing more real wealth than ever—are once again to be offered up as a sacrifice to the money

changers, or, rather, to the private creators of money.

There is a banker in England—Mr. Reginald McKenna, head of the largest bank in the British Commonwealth—who has long been outstanding for the honesty of his admissions and for his sincere desire to stand between the people of England and the wickedly deflationary policy of Montagu Norman and his international swindlers. You, Sir, are looked upon as the McKenna of Australia, and you could, if you wished, play a part of almost inestimable importance in leading the movement for financial reform in this country. We believe that you, personally, have always been opposed to deflation. We also believe that you recognise the impossibility of avoiding deflation under present banking technique, since even the expansion of money supplies, which you have been advocating for the past year or more could come about only through an increase in our national debt, and therefore a permanent increase in taxation.

Would it be too much to ask you to allow your thoughts to go beyond the technique of money and to dwell for a while upon its principles? Were you to do so, and were you to express your resulting convictions with your usual candour, we sincerely believe that your name would go down to posterity as the greatest Australian yet born.

THE NEW TIMES

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draw attention — and we might remark that in the list of those present at the function the "Argus" gave pride of place to Sir Ernest Wreford, director of the National Bank, and just back from attending the meeting of the Associated Chambers of Commerce in Adelaide.

Mr. Harold Cohen, as you probably know, is a very influential Jew, closely associated with the beer, metal and banking trades. Incidentally, he is one of the few people of his race in Australia who take an open part in our political affairs. His address is given in the Melbourne "Herald's" "Who's Who" as Collins House, Melbourne—the same domicile as the Victorian Taxpayers' Association, and Victorian headquarters of the banking-industrial monopoly.

Mr. Cohen's address was a glorification of the "recommendations" of the Bank of England's messenger boy, Otto Niemeyer. Niemeyer, you remember, was sent here to notify us that we must accept deflation, and now we find Cohen brewing for us a further draught of Bank of England Bitter.

Australians are so familiar with this poisonous concoction that there is no need to dwell here on the ingredients—balanced budgets, more production, lower costs, the cutting down of public works, and so on. Mr. Cohen, as would be expected, included all these in his new bottling. And, like Niemeyer, he exhibited a deliberate callousness towards the interests of those who drink his beer. Thus, "the second of Sir Otto Niemeyer's recommendations," he said, "was that we must increase our productivity per head of population if we desire a higher standard of living. You may reconcile that with a shorter working week—if you can."

#### "HANDS OFF THE BANKS" AGAIN.

But Mr. Cohen saved the best of his brew for the end of the feast. We quote the final paragraph of the "Argus" report of his speech:—

"Much had been said about banking and interest rates, Colonel Cohen continued. (Cries of 'Far too much.') Yet it might be asked to what extent the increase in the rate was due to the wickedness of bankers and to what extent it was due to normal business activity and to the fact that Australian governments had borrowed £70,000,000 on local markets in four years. If there were anybody thoroughly incompetent to interfere with the affairs of the Commonwealth Bank and private banks, it was the politician. (Hear, hear.)"

Mr. Cohen, in speaking of "the politician," doubtless meant to exclude the U.A.P. politician. He would have no objection, for instance, to the U.A.P. politician appointing a private banker to the Commonwealth Bank board, as was done recently, or to the appointment of a Premier's Plan professor. This is not interference; it is merely co-operation.

Can you not see Sir Ernest Wreford vigorously applauding his friend Cohen? Can you not imagine him registering a resolution to put in a word for the extension of hotel trading hours—a form of government interference to which possibly Mr. Cohen, the brewer, would offer no objection? But fancy a gentleman of the name and race of Cohen having the unblushing effrontery to defend higher interest rates, and to expect to be taken seriously!

We are not, however, concerned so much over Mr. Cohen as over the fact that such views as he expressed should be invited and applauded by an association that masquerades under the pretence of being out to protect taxpayers. At the same time we welcome the dissemination of Mr. Cohen's views on the banks, of Mr. White's views on loans, and of

## HENRY FORD ON REAL SECURITY

### He Says: "If We Had Statesmen in Government and Engineers in Finance—"

A remarkable interview with Henry Ford is given pride of place in the *Saturday Evening Post* of February 1 last. In this Ford shows that, like most other business men, he is beginning to see pretty clearly what is the snag that is holding up prosperity everywhere. "The only way the Government can help", he says, "is to give us a money system that will easily convey wealth from producer to consumer. . . . It is the business of government to see that nothing gets in the way of exchanging production, distribution and service, and it is the business of finance to provide means for the exchange. What we need is some financial engineers. This twentieth century is now thirty-five years old. Everything has advanced except finance and government."

"Production, distribution and service have not broken down, but free exchange has been so hampered that production, distribution and service have been made to look as though they have broken down."

#### REAL CAUSES LEFT UNTOUCHED.

"The real causes of the trouble are left untouched. Nothing has been done to restore either government or finance to its proper function. They are only means to ends, but the constant effort is to make them primary ends in themselves. . . . The trouble with government and finance is that our servants have set up as our masters, and they have not proved to be very wise masters. . . ."

"The only formula for providing prosperity is, through the aid of science, to produce the largest possible amount of goods with the least possible amount of human labour, marking each lowering of the cost of production by an increase in wages and a decrease in selling price. . . . There usually is injustice and social harm in low wages, but any interference with the process of lowering prices and raising wages makes for poverty and unemployment. It is of no moment whether the interference be by the Government for supposedly social reasons or by misguided employers for profit reasons, the result is always the same. Everyone loses and no one gains."

#### THE CENTRAL FALLACY

"What stands in the way of exchanging the goods which people are willing and anxious to make?"

"What are the two great businesses of today? Government and finance. Neither of them creates anything, but they are supposed to maintain an orderly society and a sound money so that men who do create may the more easily exchange the goods they make. Up to a point, government and finance are useful and necessary. But they easily become parasites. If they become overgrown, they suck the life-blood out of the circulatory system, which sustains mankind. That, it appears, they are doing. That is why government and money changing have everywhere become the really big businesses, and that is why producing wealth for use has languished. The conveyor system has broken down. Instead of production becoming the programme to abolish scarcity, we have seen the debt business become the only business that has not suffered from the depression."

"Money of itself does not create

all the similar views coming from bodies which are now rapidly being forced to drop their aliases. We are almost at the crisis of the fight between the people and liberty on the one hand and the banks and slavery on the other. And it is well that the people should clearly understand who are their friends—and who are their enemies.

anything. The only useful money is that which arises as a convenience to exchange goods. To regard money as the principal commodity of commerce and to deal in it as such and to regard the making of money as more important than producing goods—that is the central fallacy on which government and finance agree. It is contrary to all experience and common sense, and its day is short."

"The doctrine of scarcity which has been imposed upon this country is a money doctrine—although it has not been imposed by the money men alone; they have been helped as never before by government. Scarcity breeds speculation, and speculation is only a word covering the making of money out of the manipulation of prices, instead of out of supplying goods and services. We have seen how a government can suppose that it is fighting finance while playing directly into its hands."

#### GOVERNMENT AND FINANCE

"There should be a vital connection between our money system and the exchange of goods, but our money is not based on anything so sound. It is derived from our supplies of gold and silver and from the borrowing by the Government. Money can be brought into being without any regard to goods. We may at any time have a great deal more money or a great deal less money than is needed for exchange, and then it can be used to juggle prices and block exchange. It has been used, and it so successfully blocked exchange through speculation that it broke down production."

"There is no difference, as far as the effect on the people is concerned, between overgrown finance and overgrown government. Finance, outside its real function, takes such a heavy toll in manipulating the medium of exchange that it kills the exchange of goods. The Government does exactly the same thing, but in a different way, by so taxing the goods produced that free exchange is prevented. Both government and finance, whenever they get the chance, show the same avid desire to regulate and control the operations of producers. Both are equally incapable of such regulation and control, because neither can approach business management with the single thought of providing the best possible product at the lowest possible price. Government and finance have another point in common. While both are the beneficiaries of freedom and opportunity, they both lean to regimentation. This is a curious fact that will repay study."

#### DEMAND HAS BEEN MEASURED BY MONEY.

"How much differently a war is handled. I hate war. Twenty years ago this winter, we had what the papers called the 'Peace Ship.' That was a part of my education. I learned then how wars are made. Twenty years after, everyone is learning how war is made. It is not a subject for ridicule now as it was then, but, when men make war, they rely on production to fight it. What a pity it is that, when we make war on need, we cannot use the same sober wisdom. There never has been half enough of anything produced for living purposes. Demand has always been measured by the amount of money available for purchases. Demand should be measured by consuming ability. Make goods and purchasing power plentiful and see both demand and production increase."

#### FINANCE HAS MADE AMERICA OBSOLETE

"Factories are merged for financial reasons, and the first things to happen are the increase of process and the stopping of improvements in the product. We have some startling

illustrations of this in America. This country is obsolete today. Much of the machinery of the country is worth more as raw material than it is as machinery. . . . "It will be time enough to talk about redistribution of wealth, when we have some wealth to redistribute. What we have now is the opportunity to create so much wealth that those having the least would have more than those who now think they are well off."

#### "IF WE HAD STATESMEN IN GOVERNMENT AND ENGINEERS IN FINANCE—"

"The general gain cannot be prevented, but it can be delayed by permitting the unrestricted growth of the two great parasites. Both government and finance can grow only to a size. When they become big enough, they will have nothing to live on. They will, in time, shrink to their proper proportions. But in the meantime, if we had statesmen in government and engineers in finance, a great deal of unnecessary distress and delay would be averted."

"Whatever we do, we shall need to do at home. The place to revive the standard of living of the United States is within the United States, and the idea that we can revive our own industries and promote a higher level of domestic exchange by foreign trade is without foundation. In the first place, the world could not offer us enough sales to make any material difference in our home production, and in the second place, business founded upon foreign markets, instead of our own markets, is only temporary. . . ."

"We may think that we can trade liberty for security or equality. On the contrary, we can have the measure of security and equality which we deserve only as we preserve liberty. If we trade liberty, we shall have nothing. And yet we are constantly being advised to trade it."

## "THE TIMES'S" TOUCH OF SADNESS

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

In the *Times* I find a dispatch from the Washington correspondent and a leading article, both tinged with gloom.

The Washington correspondent reports that the American ex-service men's organisation may, perhaps, join forces with the Townsend Old Age Pension planners, so that between them they may get another £10,000,000,000 of new money put in circulation. To meet this alarming possibility the Treasury is granting licences to export gold so as to make it more difficult!

The *Times* leader laments that some of the Lancashire cotton spinners are objecting to scrapping another 10,000,000 spindles. It hurts the Government as much as it hurts them (as the tearful father said before beating his son), but it *has* to be done.

So in America a good many misguided people are agitating for more money to spend, and in Britain manufacturers are anxious not to produce less cotton for clothes. Finance is putting the stopper on the money-starved Americans. The *Times* gently reproves the men of Lancashire who would retain their capacity to make us more cotton-piece goods.

It is true there are some Americans who have had the audacity to claim that the payment of a War Veterans' Bonus and the Townsend pensions would provide an enormous stimulant to industry; others have respectfully pointed out that a large proportion of the money would be spent in repaying debts to the banks. But even this last suggestion has fallen on unsympathetic ears. If loans could be repaid by giving people money to repay them where would the banks be? The whole idea of Finance is that debts should be irrepayable, for

this puts the debtor at the mercy of the creditor.

As to Americans having a lot more money to spend, this again is most undesirable. If they could be trusted to hoard it or invest it in government loans there might be some sense in it; for there is nothing which lays a man more open to terrorisation than a thousand dollars' worth of savings which you can threaten him with losing *in toto* unless he supports Sound Finance. But if the people have more money to *spend*, why, they will soon be kicking over the traces.

As to the spindles, it is true there are millions of people who would like more blouses and shirts. But, most unfortunately, they haven't enough money in their pockets to buy what the 10,000,000 spindles could produce. And that, of course, is the end of the matter. The spindles must be scrapped.

These are the views of Finance. Like the voice of the oracle, it speaks, and the priests and acolytes repeat these sentiments in loud, booming tones to the crowds assembled at the temple doors. So well drilled are they in the ritual that they know what to say on practically every occasion without waiting to be told. Money must be kept in short supply to establish the power of gold, and production must then be cut down to this meagre, arbitrary level of ability to buy.

The crowd of worshippers must be kept in subjection, but, at the same time, they must be prevented from rebelling. The iron heel of Finance must be concealed. Although the people are sinking into deeper sloughs of servitude, they must be made to believe that they are going Up-and-Up-and-Up, On-and-On-and-On.

How is this to be done? By focusing their attention on Means and distracting it from Ends. If the American soldiers and the Townsend pensioners don't get their dollars, this will be announced as a substantial victory for Sounder American Money. If our 10,000,000 spindles are scrapped, that will be called putting our cotton industry on a healthy commercial basis. And so on, and so on. The priests in the Money Temple never cease bellowing that all is Evolution, Progress, Betterment.

Where shall we finish up? Perhaps like Stephen Leacock's patient, who, having received proper medical treatment, died.

The whole of our vast and complicated system of Finance has long ceased to be a means of distributing the greatest good to the greatest numbers. If it has any conscious aim at all, it is to increase and safeguard the power of its priests. But so completely have they fallen under the power of the System that it is doubtful whether even they act otherwise than mechanically.

It is ideas, not men, we must fight if we wish to alter anything. You cannot use reason and logic on sleepwalkers and automatons. You cannot wave your handkerchief at the driver of an express train and persuade him to stop at your station. He drives under orders, which depend upon fixed ideas of how timetables should be arranged. If you want a train to stop you must get the system altered, and to do that it may be necessary to get other people, who wish it altered in the same way, to join with you in making a strong demand to the railway company.

Supposing that you wanted a fundamental alteration in the train services of all the railway companies of the Kingdom, you would find the directors exceedingly stubborn, and it is highly probable that you would not have your way unless you could get a large proportion of all the passengers in the Kingdom to stand firm with you and insist upon it.

It is the same with destruction and restriction of plenty with millions in poverty. If we don't like these glaring absurdities we must persuade a large number of people to unite in saying so and demanding something more sensible in its place.

## THIS "MONEY MARKET"

By BRUCE H BROWN

What is all this talk about the "Money Market?" What is a market? The Oxford dictionary gives it as a "gathering of people for purchase and sale of provisions, livestock, etc.," or as "an open space or covered building in which cattle and other things are exposed for sale." You potato growers have to get your potatoes to an appointed place where they may be seen and offered for sale. Even you wool producers send the wool to the market where buyers can examine it. They even come from all parts of the world to see it being made on the sheep's backs. The same principle applies to production of all kinds. Genuine producers display their wares, and, in many instances, they conduct the public over their factories to see how the product is made. So when we speak of a "market" we mean a place where we may examine what is offered for sale, and when we look at the things in the market we see the result of man's handiwork combined with the generosity of a wise and bountiful Creator. What is more, the things we see have a constant value. That is to say, as an item of food a pumpkin always retains the same beneficial properties, and always does the system of the consumer who likes that type of food the same amount of actual good *irrespective of the money value placed upon it*. A loaf of bread to the individual is of the same actual food value whether he pays 3d for it or £3. Therefore, we may say that the material things offered in the market are real and of themselves valuable. The producers are invariably hard-working and honest people who have laboured so that they may exchange their produce at the market for *money*, which alone gives them claim to the production of other people. The money price they ask (which they are not at all sure of getting) is usually the financial cost of production, plus a fair profit. If, for the present, we accept the idea that money is a commodity, then the price of money in the market should be calculated on precisely the same basis as other commodities—i.e., the financial cost of production, plus a fair profit. The manufacture of a credit overdraft of £1000 would therefore cost a few pence for pen, ink and paper, a few shillings for the clerk's time, and a few pounds for the bank's profit. But the money monopolists' price is a solid £1000 *plus interest*, and they always make sure of getting their price!

## THE MONEY MARKET IS A PAWN SHOP.

What of this Money Market, though? Where is it and what sort of production do we see there? In the House of Representatives on March 25 Mr. Casey said, "the Chancellor of the Exchequer in Britain possessed the power of veto to ensure that the demands on the Money Market would be less than the supply of money," and added that it was "a power which *Australia could not have* because of the demand of the Loan Council, semi-governmental institutions, and industry on the loan market." What do you make of that? Evidently the Money Market is outside Australia and the quantity of money we may have is dictated by the controllers of this "market," living in affluence in another country, quite regardless of our abundant wealth or the needs of our people. The demand is kept down by veto. There must be no sug-

gestion of making the supplies expand to meet the demand. Although we can use only Australian money, and all of it is actually made in our own country, we must not produce sufficient for our requirements, because such a procedure is frowned upon by the secret manipulators whose power would thereby be threatened. A further significant thing about this Money Market is that, as legal tender money (notes and coin) is not offered for sale, the stuff "exposed" there must consist only of paper in the form of credit instruments, and not even the paper was produced by the people who take them to the "market." As a matter of fact money is never *sold* in this market; it is only *lent*. In other words, there is no such thing as a "money market"; what is wrongly called by that name functions only as a *pawnshop*.

Mr. Casey also said that "the rise in interest rates was inevitable, and that the only cause of the rise had been the increased industrial activity and the increased demand for money." Can you see the logic of that reasoning? If you farmers are faced with an increasing demand for your primary products you do not put obstacles in the way of buyers, but you try to increase the quantity of produce for sale. Not so with the money producers. They impose conditions, which will kill the demand and keep it within the limits of an admittedly inadequate supply over which they have sole control! And the intelligence of Cambridge cannot see the absurdity of such a position from the national point of view.

## "INFLATIONARY INJECTIONS."

Replying to a question as to what action the Commonwealth Bank *could* take to prevent interest rates from rising, Mr. Casey said: "In the present circumstances, and with the existing demand for credit, there was one weapon the Commonwealth Bank could use—an inflationary injection of credit into the monetary system, to which the Bank Board and the Commonwealth Government were both strongly opposed." Fancy that! But what do the sovereign *people* say about it? If an injection of credit money would keep interest rates from rising (as Mr. Casey admits) and enable Governments and industry to proceed with the development and general advancement of the nation (as it has actually been doing since 1932) what legitimate grounds could the Government have for its objection? "The Government" is a group of 12 or 13 ordinary men, men elected as the servants of the rest of the people and certainly not as their masters. They are there to do as the people wish them to do, and it is clear that the people wish them to provide money equal to the nation's needs.

And what effrontery it is for Mr. Casey, himself living in luxury as a beneficiary of the practice of "inflationary injections of credit," to talk apprehensively of a continuance of the procedure when the monetary system already consists almost wholly of inflationary credit, manufactured by the private banking system! The action of the banks in increasing interest rates on deposits is admitted to have been forced upon them because they have inflated their credit money out of safe proportion to the amount of "cash" in their possession. If the banks are speaking the truth, it is more *cash* they need to support their credit issues, and Mr. Casey is well aware that the Commonwealth alone has power to increase the supply of that cash. Instead of doing that, however it is deliberately decreasing the supply.

## INFLATION IN GOODS, DEFLATION IN MONEY

When the Government, a few years ago, pleaded with the farmer

to produce more wheat it was asking him for an "inflationary injection" of wheat, but when the farmer nobly responded the Government was not allowed to give a corresponding inflationary injection of credit to provide the farmer with money for it so that he could cover his costs. An increase in goods is an excellent thing if the counterpart (money) increases in harmony, but the wise financiers who run the show encourage the inflationary injection on the real wealth side while they practice a "deflationary extraction" on the *symbol* side! An increase in the interest rates is one of the means they employ to achieve this—i.e., they apply the brake, as admitted by Mr. Leitch. But if we discard this misconception of money as a commodity (a misconception born of the bankers and their hireling press), and regard money in its true function as figures for accounting production costs, then we see that these costless figures should increase or decrease with the corresponding increase or decrease in actual production, so that producers would not be forced insolvent by the banking system en-

## THIS WEEK'S GEM!

The decrease in the consumption of nutritive foodstuffs was leading to the creation in Europe of a C3 population which would NOT BE ABLE TO BEAR ARMS.  
—Earle Page, Australian Minister for Commerce, in London, April 6.

tirely for the lack of accounting figures on tickets called money. The bankers' weapon against our having such a sufficiency of tickets is the creation of fear in the minds of the public by this inflation bogey.

## WHAT SIR ROBERT GIBSON SAID IN 1931

Every Australian should take careful note of the memorable broadcast by the late Sir Robert Gibson in 1931, when the run they had started on the Government Savings Bank in New South Wales threatened to extend further than the instigating money controllers intended. Besides admitting that there was no actual justification for the closing of that bank Sir Robert said this:—

"The Commonwealth Bank has control over the Note Issue and can command resources in the form of currency to any extent which, in the opinion of the Bank Board, is deemed necessary."

And most of the members of the Board were recruited from private financial institutions! Their opinions would naturally be influenced largely by their psychological attitude towards their former interests, and so they all fall into line—as gentlemen should.

In the face of the clear statement of the late chairman of the bank, however, why is the Government allowing, much less supporting and even applauding the conspiracy of the Commonwealth Bank and the trading banks to make it impossible for the increasing financial needs of the community to be met? Further than that, how can Sir Claude Reading truthfully say that the trading banks assisted the Commonwealth Bank in a financial stringency? Sir Robert Gibson's words make it quite clear that if there is a financial stringency, then the members of the Bank Board should be held personally responsible for it and punished according to the seriousness of the crime with its imposition of hardship and suffering on thousands of innocent people. Many Australians would feel justified in describing this kind of action as treason.

## "THE MEASURING ROD."

Coming back to the "Money Market" business, the leading article in the *Argus* of March 25, contained the following:—

"Money is the measuring rod of all commodities, but is in itself a commodity and its price varies with the market—in consonance with the law of supply and demand."

The very next day the same illuminating journal published a leader entitled, "Our Real Wealth," lauding the primary producer and containing this:—

"Sir John Orr said that only 50 per cent, of the population of Great Britain received sufficient food to maintain health according to modern standards. . . . Apart from the humanitarian aspect altogether, there is something appealing in the prospect of these millions of people becoming active purchasers of Australian products. It is obvious that they can do so only if they are in a position to buy. . . ."

If money is the measuring rod of all commodities, then obviously the producers of *money* are the controllers of all commodities; and, as Mr. Casey has admitted that the demand for money falls on the financial institutions, we must assume that these institutions are the producers of the money supplies and, therefore, the controllers of the nation. This means that institutions which have not actually produced a single useful thing have usurped the place of the elected governments, and by the use of pen, ink and paper increase or decrease the quantity of money, the measuring rod of all commodities, at will, thus controlling the consuming power and the right to live of the starving millions. And what sort of a measuring rod is it that is a foot long today and can be stretched by the banks to 18 inches tomorrow?

## THE SUPER-MONOPOLY.

If, as the *Argus* says, money is itself a commodity, we should be told, firstly, where the factory is situated, what substances are used in the manufacture, who owns the factory, and is the price of the product based on the cost of the substances plus a fair profit; and, secondly, why it is that anyone may compete with the manufacturers of every commodity *except the money commodity*? Why is money production a close preserve for the private banks? If we compete in that business we render ourselves liable to imprisonment. Judge Macindoe referred the other day to one law for the rich and one law for the poor. What attitude would he adopt in the case of a poor man who manufactures a 2/- piece and a bank, which manufactures a million pounds' worth of credit money?

One bank said it was forced to increase its rates to attract "deposits." All the others promptly did the same, even to the Commonwealth Bank, which has power to *issue* whatever cash it requires. Thus we have the group of banks which have themselves given nothing whatever to the community arbitrarily dictating a period of hardship for those who have produced everything of real value. The Commonwealth Bank should have increased the supply (vide Sir Robert Gibson) and halved the interest rates, but then, of course, the address of the private banks would have been shifted to Queer Street!

## THE "LAW" OF SUPPLY AND DEMAND.

And the *Argus* brazenly prints the lie that the price of money is governed by the "law" of supply and demand. How *can* the price of money be *money*? While Mr. Casey tells us in one breath that the Chancellor of the Exchequer in England will not *allow* the demand to exceed the supply, he says in the next breath that he agrees with the action of the banks in limiting the supply in Australia so that it will be less than the demand! And yet they talk of the "law" of supply and demand! Have you forgotten how, within the last 12 months, all the leading economists and bankers were pleading for avenues of investment for idle funds? Now they are trying to tell us that the demand is too great and that the recovery has been too rapid. Supply and demand is controlled by the same people. While the Chancellor in England will not allow the demand to exceed the

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supply and the money monopolists deliberately keep the supply short, the truth telling *Argus* croons about the pleasing prospect of the English under feds buying more Australian food. "What with?"

## J. A. LYONS JOINS THE CHORUS.

Mr. Lyons had also to join in the chorus about the great and immutable "law" of supply and demand. "The only influence any government could have on interest rates," he said, "was through the amount it borrowed and the consequent effect on the market. The Loan Council's chief problem was usually whether the amount of the loan required could be raised. It could not fix interest rates, which were the result of supply and demand on the financial market." His Treasurer, as you have already seen, has proved him wrong, and we have only to refer to his earlier announcement that the bank took the step with the definite object of limiting imports to show that a man who treats the truth with scant regard should have a better memory than Mr. Lyons is displaying. If the official explanation that the trade balance gave rise to the action is correct, then obviously the talk about supply and demand is so much humbug. His own words condemn him, for, despite the provisions of the Commonwealth Constitution, which he has sworn faithfully to observe, and by which the supply of money could even exceed demand, he allows himself and his public office to be used in the perpetration of a swindle against the Australian people by borrowing privately-manufactured or counterfeit money for Government purposes. The "financial market" to which he refers is a nebulous sort of place where counterfeiters and pretenders operate to enchain the people to a system of finance, which is bogus and altogether reprehensible. Mr. Lyons, Mr. Casey, and all the others who have been placed in exalted positions must exorcise themselves from the false idea of loan and borrowing as a necessary attribute to the government supply of money. It is adherence to this false idea that is causing all our national difficulties.

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### Prosperity— In Australia's Slums

We were solemnly informed on Tuesday that the Victorian Government will probably soon abolish sustenance in accordance with its belief that the depression has now passed. Only those people, it seems, are still on sustenance who are "unemployables," and for them the granting of relief is to be placed on "a more scientific and less expensive basis."

On the day before this announcement, it is true, five hundred Melbourne men rushed a job advertised for a factory gardener. This, however, was satisfactorily explained by a Government official on the ground that it was "not so laborious as, for instance, relief work, where men are put to pick and shovel work. Relief work, besides being strenuous, generally entailed travel, and was intermittent." The same official (according to the *Melbourne Star*) volunteered the information that there would not be anything like five hundred applicants if an advertisement were inserted for skilled draughtsman. Quite so, and the same would probably apply if one were to advertise for a Sanscrit scholar or an ichthyosaurus—though we do hear that there has been quite a brisk response to a chain store advertisement for University graduates.

Leaving aside these pleasant speculations, here are the words of a responsible Melbourne citizen, Mr. Marcus Barlow, architect, in an address, which he delivered on Monday: "You may pass along the main streets in Port

Melbourne, Carlton and Abbotsford and not dream you are in slums. Go into the little streets and you will find mile on mile of slum tenements totally unfit for human habitation. I have seen a whole street down with typhoid. I have seen children with rickets, staggering grotesquely towards me. I have seen young men and women, old before their time, in these surroundings. I have seen children almost starving, fed at their schools for a penny a day." Mr. Barlow went on to speak of conditions in these slum houses, of a mother and six girls sleeping in a ten by ten room, head to feet in a double and a single bed, and of a father and four boys in one bed in the adjoining lean-to of "a typical three-roomed house of appalling meanness," without bathroom, kitchen sink or troughs, and with the sole water supply a tap over a gully trap. "Wet weather," he continued, "is a calamity there. Not only the houses, but the bed clothes become sopping. The roofs are rotten. And I could take you to hundreds of such houses. I could take you to a hundred or more houses in the West Melbourne swamp, all built from rubbish. In these conditions each year thousands of babies are born—only to die."

Are these people "unemployables"? Mr. Barlow, like all who know them, denies it. "Many people," he said, "imagine the slums are inhabited by a vicious population that have sunk to these conditions through drink and crime. It is not so. Most of them are decent and honest people."

Decent and honest people! And the Premier of Victoria, and the Premiers of the other States, and the Prime Minister and the press and most of our public speakers have the wicked hypocrisy to talk of prosperity while they shut their eyes to such appalling conditions.

*And the voters of this country, the people who could abolish such grinding poverty overnight, are too lazy to prod these paid hacks into activity.*

For the voters are the masters, the politicians the servants. On whom, then, does the greatest blame lie?

that the method projected is one by which importing consumers will be asked to pay a higher price for goods from the U.S., as it is indicated that the tariff tax is to be raised. The second is that there is no proposal to benefit exporting producers; there is no hint that, since America will not buy from us to enable us to buy from her, we should transfer our purchases to Japan or Germany or Belgium or France, or to any of the other customers whom we are treating in exactly the same way as America is treating us. On the contrary, the idea put forth is that we are to increase our trade "within the family," that we are to "buy British" more than ever.

That is the suggestion, and, rounded off with the usual nice phrases about the Motherland, our Kinsmen Beyond the Seas, our obligations towards the Strong, Silent Navy, and the like, it may go down with the sentimental and the uninitiated. Why should they dream that this is merely a ruse to distract their attention from the pound of flesh they are paying to the international banker, to the bond-holding financier, masquerading as their kinsmen over the ocean? Yet such is the case.

The central fact in our foreign trade relationships, and a fact that also affects our whole standard of living in Australia, is the obligation upon us to purchase every year sufficient London funds (sterling) to meet our interest to the London-domiciled banker and to pay dividends to himself and his friends in respect of those parts of Australia which they have appropriated to themselves. We can purchase the necessary London funds only by selling abroad more goods than we buy from abroad. Hence, through the inability of the English people—who must never be confused with their bankers—to buy sufficient of our goods, we are forced to adopt the idiotic pose now taken up by the Federal Ministry.

The whole pivot round which government in Australia swings is this annual provision of London funds—the tribute of serfs to their masters. For this, having denied justice and fair trade to nearly all of our foreign customers, we must now make ourselves the laughing stock of the world by solicitously picking the mote out of America's eye while we are oblivious to the beam in our own.

And our virtuous Government, seeing the opportunity of killing two birds with one stone, will take the opportunity of taxing us a little more *en route*.

Taxation, as you are probably aware, is also mainly allotted to paying interest.

God! Save The Bankers!

### American Trade and London Funds

At last our do-nothing Federal Ministry threatens to exert itself in the matter of our overseas trade, and action is promised to put right our unsatisfactory relations with the United States. Concerning this proposed action, however, two things will be noted. The first is

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## VICTORIAN COUNTRY PARTY WAKES UP

### Monetary Reform in Foreground at Annual Conference

At the annual conference of the Victorian Country Party, held in Bendigo last week, and attended by 1000 members, the subject of monetary reform was keenly debated, and three resolutions dealing with the subject were carried.

The first, proposed by Mr. Edmund Jowett, was as follows:—

"This conference is of opinion that the principal cause of the ruinous fall in the prices of commodities and of the increase of unemployment throughout Australia and the world in general, is the excessive restriction of the currency, and urges that the most effective way to restore prices to a profitable level and to restore full employment to the people is for the various Governments to gradually provide sufficient currency for the reasonable needs of the people, subject to effective precautions against over issues."

The opinion being expressed that the word "currency" was not sufficient, the following amendment was suggested:—

"That with a view to ensuring that there shall at all times be sufficient money in circulation to distribute all the nation's goods and services, this conference believes that the creation and issue of all forms of money should be vested in the hands of the Government and not left in the hands of privately controlled companies."

On a vote being taken, the amendment was defeated after a close division, and the original motion was carried.

The second motion, proposed by the Warragul branch, read:—

"This conference is of opinion that the major cause of the serious unrest in the world is the failure of the present distributing system to provide a just share of the wealth of this wonderful age of plenty to all, and requests members of the United Country Party to support Parliamentary candidates who will pledge themselves to work for reform that will bring about a just system of reward."

#### WARRAGUL DELEGATE'S ADDRESS

In moving the motion, Mr. G. Southgate said:

"This resolution is one of the most important on the agenda, because upon a just system of distribution of the necessities of life depends the well-being of our nation.

"It is distasteful for me to have to raise my voice in condemnation of our present monetary system, which is not fulfilling the function for which it was intended. Its function is to provide an easy means for distributing goods and services. Money, in itself, is of little value; it should be only a ticket, a token, an agent for the distribution of real wealth. Money was invented to be the servant of man, but private companies have usurped the prerogative of the Sovereign to create and control the financial credit of the nation, and under this private monopoly of credit money has become man's tyrannical master. Therein lies the chief cause of the major troubles of the world.

"I submit that democracy does not rule; the hidden government of high finance rules the people. Their interests and the interests of the public are diametrically opposed to each other, and it is beyond all reason to expect them not to use their power to increase their stranglehold over the people, and to establish themselves dictators over the nations of the world.

"I prided myself that I belonged to the British Commonwealth, whose equality of justice I believed to be beyond reproach; but the distress, poverty and legalised

robbery that exists and is condoned in this wonderful age of plenty for all, has placed a blot on civilisation which future generations will read in the pages of history with shame and sorrow. The wealth of a nation is created by its people; it is their business to provide the necessities and amenities of life, and they are abundantly fulfilling their obligation. Had not our nation allowed private companies to usurp the Sovereign's prerogative to create and control our financial credit, our people and our country would not now be hopelessly in pawn to a private monopoly.

"Since 1860 the national debt of Australia has doubled almost every ten years. Today it is £1,250,000,000, and our interest bill is £1,000,000 per week. An able writer has recently stated that government finance by debt is not sound finance—it is high treason. We have heard a lot of talk about prosperity being just round the corner. The scene has changed and disaster has taken up its position there.

"Our present financial system is a system of social debt; we must change it to a system of social credit. Under social credit all government works and social services could be financed interest free.

"I ask this conference to request its members to support parliamentary candidates who will pledge themselves to work for reform which will bring about a just system of reward."

The motion was carried, and following it the conference also adopted this motion from Bamawm branch, moved by Mr. J. R. D. Vise:

"This conference demands that its elected representatives in Parliament shall make it their first business to ensure that this country's internal economy shall be so managed as to reflect its real wealth, instead of, as at present, an artificial state of poverty in the midst of plenty."

### 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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## NEW ZEALAND TAKES THE FIRST STEP

### Reserve Bank to Belong to the People and Money Supply to be Based on Supply of Goods

Writing from New Zealand on March 26, our correspondent describes the anticipation with which the Governor's speech from the throne that day was heard. "Social Creditors," he said, "awaited this with the utmost interest, for while they had been assured and reassured by the Prime Minister that every pre-election pledge would be redeemed, and though they believe fully both in Mr. Savage and in his word, yet they could not be entirely at ease till they had heard from the Governor's lips that it was the intention of the Government to assume the control of the country's credit and currency.

"We listened intently . . . My Ministers purpose to lay before you legislation designed to ameliorate the working conditions of the people . . . My Ministers have already adopted measures for the stabilisation of the wheat growing, flour milling. . . My advisers fully recognise the value of the application of scientific principles to industry.

"And then—'IT IS INTENDED TO INTRODUCE LEGISLATION FOR THE STATE CONTROL OF THE CURRENCY AND CREDIT OF NEW ZEALAND SO THAT THE SOCIAL AND ECONOMIC WELFARE OF THE DOMINION WILL BE PROMOTED.'"

The first of that legislation has now been introduced in the form of the Reserve Bank Amendment Bill, under which the Government will buy out at a fair market price all the private shareholders in the recently created Reserve Bank of New Zealand.

#### WHAT THE BILL MEANS.

More than once in the past we have had occasion to comment on the difference between the general editorial policy of the Melbourne "Argus" and that of its financial editor. The latter—within the somewhat straitened limits of "sane" finance—generally endeavours to set out a position fairly. His comments on Alberta have been a case in point. And he now states the New Zealand objective in such a way that we are happy to quote him at some length, and earnestly to commend him to the other leader writers of his journal.

"The Reserve Bank of New Zealand," he said in his financial leader on Monday, "which began business as recently as August, 1934, is managed by a board of directors consisting of the governor (Mr. Leslie Lefaux), formerly of the Bank of England; a deputy governor, three directors appointed by the Government, and four shareholders' directors, two of whom represent primary industries and two industrial or commercial

pursuits. The capital of the bank is £500,000, composed of 100,000 publicly subscribed shares of £5, bearing a cumulative dividend of 5 per cent, on the paid-up capital. The share issue, which the new Ministry proposes to take over, was heavily over-subscribed, and when allocations were made not more than 20 shares were allowed to any one applicant. The shareholders, it was reported on Friday, will receive full market value—namely, £6/5/- for each share, with an accrued dividend of 5/- a share. Buyers were not offering more than £5/13/- for Reserve Bank shares in Wellington on March 26.

"Under the original constitution of the Reserve Bank the Government nominally had a majority of five against four on the board. Now, it seems, the place of the shareholders' representatives will be taken by Government nominees, making the bank, to all intents and purposes, a State bank, a dream cherished by Labor politicians for many years. That the new Ministry intends to employ the machinery of the Reserve Bank to implement its policy to guarantee prices is shown by a clause empowering the bank to grant overdraft accommodation to finance the purchase and marketing of New Zealand produce. In the words of the Minister for Finance (Mr. Nash), 'This would mean that the present profit which the private banks obtain by way of interest on the credits they create would be abolished.'

"The Ministry proposes to put into operation this plan for guaranteed prices of primary produce at the beginning of the export season on August 1 next.

"It is significant that when the Reserve Bank of New Zealand Bill was in committee the Labor Party, then the Opposition, sought to vary a clause to make it the primary duty of the Reserve Bank to establish, a monetary system based on goods and services.' That is, when production increases, the quantum of money in circulation should be correspondingly increased, and the reverse process applied when a fall in production occurs. In a memorandum of dissent to the report of the Parliamentary Monetary Committee, which sat in 1934, three Labor members said that the State must become the sole creator of currency and financial credit. They added that the amount of credit created for capital works, the amount created for trading purposes, the amount created for consumers, the total amount of debits weekly placed to customers' accounts in trading banks, and the total amount of taxation levied were elements determining the volume of financial credit in effective use. With unity of control vested in the State all these could be so observed and governed as to secure such circulation of money as would avoid deflation and inflation, abolish alternating boom and slump, and secure steady business activity.

"Guaranteeing prices to producers is the beginning of a monetary system based on goods and services. In its simplest form the volume of money will, roughly, be determined by the volume of production. But difficulties almost insurmountable must arise with that produce which is sold on overseas markets, and over the price of which the New Zealand Government cannot possibly have any control. The experiment is unique in New Zealand, and will be watched with

interest in Australia where problems of production and marketing are similar."

You will note the "Argus" editor's difficulty about overseas sales. This is, of course, the old theory that "recovery must come from abroad." It may not be out of place, therefore, to give the answer in the actual words of Mr. Savage, New Zealand's Prime Minister.

We quote extensively from a recent policy speech delivered by Mr. Savage. He said:—

#### NEW ZEALAND LABOR AND NATIONAL CREDIT

"The case for Labor is based upon the fact that the trade of the Dominion—internal and external—cannot exceed the purchasing power of the people of this country.

"Whether we trade with Britain or Japan we cannot have one-way trade, and we must therefore be in a position to buy what is produced in New Zealand for use in New Zealand as well as be able to buy and use all imports that come from abroad in exchange for our exports.

"That brings us to the following well-established facts:—

"(1) Our exports are paid for by imports of equal value.

"(2) When we reduce imports we destroy the market for exports.

"(3) When we reduce wages we destroy the foundation upon which our entire trade rests.

"Sir Alfred Ransom stated at Dannevirke that I had over-

looked the fact that the 'masses consuming our surplus production were not in New Zealand but in the United Kingdom.' Sir Alfred seems to have conveniently forgotten that our surplus production goes to the United Kingdom in payment for other goods and services that come to New Zealand, and we should be in a position to buy and use these things in addition to other goods and services produced here and kept for use in New Zealand.

"If it is admitted that exports provide the medium through which we purchase imports of equal value, it must also be admitted that unless we increase the purchasing power of the people of this country we cannot expand our trade either at home or abroad . . .

"Unless purchasing power is increased in sympathy with increasing production, prices must fall.

"The Government of the day has never been prepared to face that fact. It has contented itself with the appointment of commissions of investigation . . .

#### THE MACHINE AGE

"When the nations face up to the fact that in bygone days human labour was employed and paid for to a greater extent than it is today in the production of goods and services, there will be some hope for the solution of the problems facing farmers and others.

"The machine is now doing the work formerly carried out by men and women who were given a greater measure of purchasing power, comparatively speaking, than they receive today. While the machine has multiplied many times in recent years the amount of goods for sale, it has at the same

time displaced the purchaser of goods—viz., wage and salary earners. . . .

#### THE USE OF THE PUBLIC CREDIT

"In discussing public credit, frequent references have been made to the German experience of inflation, and usually only half the story is told. Germany inflated her currency and destroyed her internal debt.

"New Zealand deflated her currency and destroyed millions of pounds of equities in homes, farms, and all forms of wealth, as well as considerably increasing the weight of her internal debt.

"Both these policies were wrong. Goods and services should be the basis of the money system.

"Without goods and services (production), our money system could not exist. Why, then, harness it to anything else—internal or external?

"The public credit should be the means used to establish a money system which would equate buying power with production, and thus enable the people to get the full benefit of their labours . . .

#### RESERVE BANK.

"The Reserve Bank of New Zealand, which has been in business since August 1, 1934, and has a subscribed capital of only £500,000, provides a striking example of modern banking. Its first transaction involved the Bank in the taking over of £23 millions sterling, for which it had to pay £28,520,000 New Zealand currency.

"Taking the even figures from the last Budget of the net amount of sterling taken over from the banks in London at £23 millions, 'the greater part of which has since been sold to the Reserve Bank,' that Bank will have to find £28,520,000 New Zealand currency to complete the transaction.

"The completed transaction will then read as follows:—

"(1) New Zealand had in London accumulated credits amounting to approximately £23 millions sterling.

"(2) These credits were purchased by the Associated Banks (under the guarantee by the New Zealand Government).

"(3) To make the credits available to New Zealand exporters the Associated Banks made advances in New Zealand against Treasury Bills issued by the New Zealand Government.

"(4) The Reserve Bank which commenced business on the 1st August, 1934, with a subscribed capital of £500,000 accepted full responsibility for dealing with the transaction and in return for £23 millions of London sterling assets—of which, it became sole proprietor—provided £28,520,000 (including redemption of N.Z. Government Treasury Bills) in New Zealand currency.

"If the Reserve Bank had been a State institution it could have carried out the same transaction and the people of New Zealand, as owners of the Bank, would have been the proprietors of £23 millions sterling assets in London. As it is, the Reserve Bank is the owner.

"Where did the Reserve Bank get the money from to complete this transaction? It created it as it was found to be necessary. The Hon. Adam Hamilton says not! Where, then, did it come from?

"Reserve Bank notes and book entries, which could have no real existence without the peoples credit, constituted the only machinery necessary. The Reserve Bank had nothing else to offer."

## The Fable of the Genie of Power and the Magpie

By MONTAGUE GROVER



Meet the Genie.

Abu Hassan was an adventurous youth who dared to venture further than his fellows into the valley which was known as the Valley of Enchantment. In a weird grotto, surrounded by rocks of fantastic shape, was a small ledge, and on the ledge was a potsherd.

He was gazing on this potsherd when a voice sounded: "Say, mate, got a corkscrew about you?"

Abu Hassan gazed about him. There was nobody in sight; it could not be radio, for radio had not then been invented. Abu was mystified.

"Get a move on", cried the voice again. "I'm in this blooming bottle."

Abu Hassan was more mystified than ever. "What are you doing in the bottle? What are you?" he asked shakily.

"I'm the Genie of Power", replied the Voice. "And look here, if you let me out I'll do anything you want. Build you a palace and a big car, and anything you like to mention. All you've got to do is rub the cork and I'll deliver the goods. But never let that cork out of your possession."

Abu got out the corkscrew, without which he never travelled, and pulled out the cork with a loud pop. The air was filled with thick smoke, which gradually took form and crystallised into a strange looking monster of cogwheels and cranks and universal joints.

"Good-oh, boss", said Genie, yawning. "Now, give it a name." Abu rubbed the cork and said, "I'd like to go home by aeroplane." The Genie waved the long cranks, which served him as arms. There was a buzz of wheels; a rattle of ratchets, and an aeroplane lay on the flat before him.

Abu flew back to his village and told the others. They gathered and cheered. Their labour would be cut to half. Abu rubbed his cork, and the Genie constructed a waterway, which relieved them of the necessity of carting water in skins on camels. Another touch caused an up-to-date city to arise with a two-minute train service and hot and cold water in every house.

It was great while it lasted. But one sad day Abu laid down his cork, and it was immediately snapped up by a magpie. As soon as the magpie got well away, it started to eat the cork; and, as it concluded its meal, it commenced to grow, until it was bigger than a Zeppelin.

"Who are you?" faltered Abu.

"I am the Genie of Money", said the Zeppelin, with a repulsive grin. "I've got your old Genie of Power in my hand now. And all of you, too. You've got to work for me, and don't you forget it."

And Abu and his fellows were forced to labour as they had never laboured in the old days before they met the Genie of Power, and the Genie of Power, with all his strength, was only a slave himself.

And until they devise some method of puncturing the huge Zeppelin, which hangs over them daily, threatening them and starving them, they will ever remain slaves.

Moral: When you're dealing with big issues, you can't afford to be careless.

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## TOUR OF THE GOULBURN VALLEY

### Propaganda in the Country

Taking advantage of the Labor Day holiday weekend, a party of eight members of the Melbourne Social Credit Movement undertook a tour of the Goulburn Valley and provided a series of public lectures. At the same time the opportunity to distribute literature on the subject was availed of, and a large quantity was circulated over a wide area.

On Saturday evening, March 28, meetings were held at Shepparton, Numurkah and Nathalia. At Shepparton, Mr. L. H. Hollins was the speaker, and the chair was occupied by Mr. T. R. Lees, a local resident, who, in introducing the speaker, remarked that any intelligent person must know that there is something very much out or joint in the economic system when people in the community suffer such abject poverty whilst real wealth is produced so abundantly. The application of science had so revolutionised industry that it was necessary to apply a scientific system to finance, which is the life-blood of industry. The first step necessary was to find the cause of the financial chaos, which exists at present, and there should then be a good chance of finding a cure. Douglas claimed to have found the cause, and he also offered a cure.

Mr. Hollins delivered a forceful address, and traversed the proposals of Major Douglas. He was listened to with close attention, and at the conclusion of his remarks was given warm applause.

At Numurkah the meeting was of an informal character, and was held in the open air. Messrs. Fenn and O'Callaghan were the speakers. The subject of Social Credit was discussed from various angles, and the information disseminated was greatly appreciated.

At Nathalia a good audience assembled in the Parish Hall. Mr. Henley, of Nathalia, presided, and the speakers were Messrs. T. Ramsay and G. Maltby. After addresses which extended over two hours, and which were intently listened to, many questions were asked and answered, and at the conclusion of the meeting informal discussions were carried on until a late hour.

On Sunday the party took in Echuca in its itinerary, making contact with many local people. Rochester, the party's next

objective, was reached in time for dinner, and arrangements were completed for a meeting in the Fire Brigade Hall in the evening. This proved to be the most successful of the tour. The hall was well filled, and Mr. Vise, of Lockington, who acted as chairman, expressed his pleasure that the subject of Social Credit was creating so much interest in the community.

The speakers at this meeting were Messrs. Ramsay and Hollins, both of whom spoke at length, and held the interest of the audience throughout. At this meeting, as at all others, the desire for information was evidenced by the number of questions asked, all of which were answered to the full satisfaction of the audience.

On the Monday, Bendigo, Castlemaine and Kyneton were visited, and good work was done by making contact with the people, and distributing literature.

During the tour a large number of new members were enrolled in the Social Credit Movement.

The tour was of considerable value, evidence of which has already been provided by communications received from people who were present at the meetings.

### Rockhampton Tenders Dr. Streeter Civic Reception

If the Keppel (Central Queensland) by-election has provided work for all the Queensland organisers, it has also provided the greatest lift for Social Credit since the general elections. In addition to the Central Queensland Executive (Messrs. V. Pugh, J. T. Duffield and A. E. Webb), Messrs. H. Madden, J. Boorman and G. Gray (State secretary) have been very active, and a great and growing opinion in favour of Douglas Social Credit is in these circumstances only to be expected. The party stands vindicated as a great educational force.

Dr. J. E. Streeter, president of the Queensland Section of the Douglas Credit Party of Australia, arrived in Rockhampton on Saturday, March 28, and was accorded a civic reception on Monday, 30th. Addresses of welcome were given by the Mayor (Alderman T. J. Lee), Alderman Kerrigan, the Rev. Saunders, Mr. Vivian Pugh for the citizens of Rockhampton, and Mr. A. E. Webb for the Douglas Social Credit Movement.

The doctor, in responding, said he was sensible of the honour accorded him, as this

was the first occasion on which a leader of the Douglas Credit Party had been entertained at a civic welcome. He then dealt in a non-controversial manner with the nature of the problems facing humanity. A pleasant function terminated with a vote of thanks to the Mayor, moved by Mr. V. Pugh and seconded by Mr. J. E. Harding.

With his customary energy, thoroughness and good humour, the doctor threw himself into the fray on behalf of Mr. Harding's candidature, holding as many as three meetings in one day. If the vituperation of the monopolistic press be the measure of the strength of an opponent, Social Crediters may congratulate themselves on the leadership of Dr. Streeter.

A. E. WEBB,  
Keppel Campaign Committee, 117  
Telford St., Rockhampton, Q

### "NOT ENOUGH MONEY TO GO ROUND," SAYS U.C.P. CANDIDATE

#### Monetary Issue in Rodney By-Election

Where an election is being contested by candidates of various political parties, it is inevitable that the monetary issue should be vigorously debated in the campaign. But when, as in the case of the Rodney by-election for the Victorian Legislative Assembly, the five candidates are all of the one party, and of a party which has in the past been singularly devoid of any insight into the workings of our money system, it comes as a shadow of impending events to find monetary policy being keenly and intelligently discussed.

This was particularly noticeable in an address delivered a few days ago in Rochester by Mr. J. H. Davis, one of the Country party candidates. Though he stood for the Country party and its particular interests, he said, he recognised that the businessman, the wage earner, and the professional man were all necessary to our complex social existence. None could claim to be the backbone of the country. What was more important was the lifeblood of the country, which was the circulation of money. Only the lack of this stopped both producers and consumers from being prosperous, and if the money system were made to do for the community what the heart does for the body, then humanity's present sickness would disappear.

Despite our living in an age of plenty, said Mr. Davis, we do not get the goods, simply because there is not enough money to go round. People should not regard new ideas about money management as a joke. They should be given careful consideration. When the telephone, the radio, the aeroplane, and nearly all other human improvements were first suggested, the knowing ones looked upon such ideas as absurd. The knowing ones were just as foolish today, for there would be no emergence from our crisis until we corrected our money system. If we did that, we could practically bring about the millennium.

Asked as to what method he would adopt, and whether he favoured the Douglas proposals, Mr. Davis said he did not regard it as the duty of a Member of Parliament to pose as an authority on methods. He had outlined the principles and the objective. When it came to technical details, whether in money or in anything else, that was the time to call in experts to work out a plan, which would bring about the desired result. He was not particularly wedded to any system, but if the Douglas proposals would reach his objective, then they would do him.

## DON'T LIVE A RATS LIFE

Readers of the Melbourne "Star" of March 30 would have read its editorial statement that "the Australian worker at least has the satisfaction of knowing that, in his persistent search for better things, he has acquired a status far above that in other so-called civilised countries."

For the sake of comparison, let us examine the status of the people of the so-called civilised country of England, and resort, as a medium of reference, to the London "Times." In the "Times" of February 11, 1936, were described experiments by Sir Robert McCarrison in feeding rats on a diet similar to that of the poorer people of England. The nature of the experiments was as follows, according to the "Times":

Two groups of rats were used. One group was fed on a good stock diet, and the other group on a diet such as was commonly eaten by the poorer classes of England. The result was that, while the former group of rats flourished, fattened and lived happily together, the latter group, by the sixtieth day of the experiment, began to kill and eat the weaker ones among them. On the survivors of both groups being killed and subjected to a careful post-mortem examination, gastrointestinal disease was discovered to be very frequent in the latter group, while the properly fed rats were completely free of this disease.

So much for the status of the poorer people, the workers and their dependents, of England. Now, what of the status of the people of Australia?

Until a similar experiment be carried out here (with, of course, the connivance of the S.P.C.A.), it cannot be ascertained, in terms of *rat resistance days to disease and starvation*, how far the status of the Australian worker is above that of his fellow in "civilised" countries.

In the Australian experiment it could be suggested the rats be fed on food similar to that of two-fifths of Victoria's breadwinners, who have, according to the last census figures, under £1 per week for themselves and their dependents. Until the results of an investigation carried out along these lines be known, the "Star's" statement remains unsubstantiated.

It may seem that the foregoing has been somewhat crudely expressed, but it was never intended to be an oration. Orations have cost the Australian people untold want and misery, besides an unrepayable debt, under the present financial system, of £1,250,000,000. Plainer and blunter than Mark Antony is The People's Movement, which comes to bury, as expeditiously as possible, a rotten system that impoverishes and degrades human beings in the midst of Plenty.

The existence of actual and potential abundance is now so generally recognised that it is no longer necessary to labour the point. The People's Movement to Abolish Poverty intends personally to contact every Victorian elector and obtain from him or her a signed order, requesting his or her parliamentary representative to immediately cease party wrangling in order that he shall be free to devote his attention to the problem of the distribution of the abundance which abounds on every side.

Preparatory to asking for signatures, the People's Movement plans to place in the hand of every elector some neatly printed truths on the true nature of democracy, calculated to arouse each to a consciousness of the latent and unused power resident in themselves. The electors, for the first time, are to be given an opportunity to decide what they want, instead of, as hitherto the politician deciding his own policy or accepting a machine made policy drawn up by his party. The plan of The People's Movement is going to cost a certain amount of money—more than it yet has at its disposal—therefore, everyone who

is sincerely interested in reform is urged to help with funds. A donation today may deliver you from a rat's life in the days to come. No person's economic security is assured until democracy asserts itself. No wage earner or salary-drawer is safe in the present commercial and industrial revolution, nor are many investments. A machine may rob you of your job, a Trust of your investment. If it be inconvenient for you to remit financial assistance through the post, and you still want to help, forward your name, and an authorised collector, acting in an honorary capacity, will call on you—or, if too busy to write, ring Central 10171. The People's Movement's only expense is printing; its objective, to mobilise the will of the people to demand results.

The People's Movement to Abolish Poverty, Room 8, The Block, Elizabeth-street, Melbourne.

## The Economic Philosophy Behind Roosevelt's AAA

By F. B. HOUSSER, Financial Editor of the "Toronto Daily Star."

The frantic efforts now being made in Washington to find a substitute for the A.A.A. for the purpose of controlling the output of wheat, cotton, corn, barley, beef, milk and other raw necessities of life while ten million people in the United States are half-starved, half-clothed and on relief do not apparently strike us today in the same way as they may the historian of the future, but as a demonstration of the odd places into which orthodox economic thinking can lead men with a conscience there is nothing more to be desired.

The philosophies of economic reformers are often said to belong to Alice's Wonderland. If that is so, the economic philosophy, which is common coin today, was apparently made in the same country. In effect it runs something like this:

The American cotton situation is now serious because there is no longer any limitation to the amount that may be grown. As a result the price of cotton is likely to fall, which would be too bad, because it would bring down the cost of clothing. The price of bread, milk, and meat may possibly be lowered and more people may be able to buy a square meal. When crops fail or are destroyed or are not grown their prices go up, and prosperity returns because the purchasing power of the farmer is being restored as the buying power of the consumer of farm products goes down.

In Wonderland the economic system can only be kept afloat by sabotage, an impolite word for control of production. We must never produce enough properly to feed and clothe everyone. There is not enough purchasing power to buy it. Prices might fall to a place where they could be bought, but that would ruin the producer. Producers must always be protected. We are dependent on them for the things we need, especially for jobs. True, the producer could not live without the consumer, but the consumer will have to get along as best he can. There is not enough work for him to earn a living, but to give him money without work in return would demoralise him. It might even do worse than that. It might make us alter our financial system, and that we must uphold with our last breath. The end justifies the means.

Baldly stated with its implications, this is our present economic philosophy. Its recitation is not meant as an attack upon Roosevelt's new deal—far from it—it is the philosophy to which new dealers and old alike subscribe. It is sound philosophy under our present promise-to-pay economic system, in which the interests of the producer and consumer are arbitrarily separated and the consumer made to carry the burden.

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## TASMANIAN LABOR AND SOCIAL CREDIT

(From Our Correspondent.)

A report of the State Labor Conference discussion of Social Credit was published in the Tasmanian press last week. The fact that the report was practically identical in all papers indicates that it was handed to the press by the conference officials.

Two motions on this subject were placed on the agenda paper. The first resolution submitted for discussion by the Launceston No. 2 branch read, "That this conference unreservedly approves of the principle of a national dividend payable to every man, woman and child in Australia; the money for the payment of this dividend to be created as provided in the Federal Constitution and to be debt-free and interest-free."

The Scottsdale branch submitted that, "In view of the findings of the recent Tasmanian inquiry into the monetary system, and as an expression of confidence in the courageous attitude of the Premier, this Conference instructs its representatives in both State and Federal Parliaments to spare no effort until the financial system is altered so that the community's credit is controlled by the community and for the community. Further, that a national dividend for every man, woman and child in Australia be insistently demanded and that a just price factor be inaugurated to enable production to equate with consumption."

The two motions were taken together. The report reads: "The first motion . . . was discussed at some length. It was pointed out that by passing this resolution, the conference would be accepting whole-heartedly the principles of Douglas Credit. Numbers of delegates contended that this was not desirable, as it should be made clear that Labor did not depend on the support of Douglas Credit candidates but was strong enough to stand up to its own principles. It had been stated that if the Labor Party did not adopt the whole of the Douglas Credit proposals the Douglas Association would nominate its own candidates in all divisions at the next elections. The conference, it was urged, should consider the position carefully before pledging itself unreservedly to the principles of Douglas Credit."

### MR. OGILVIE'S AMENDMENT

In spite of this decision, however, the Conference passed a very interesting statement in an amendment to the Scottsdale resolution. The amendment was moved by the Premier (Mr. Ogilvie), and read as follows:

"That, in view of the findings of the recent Tasmanian Inquiry into the monetary system, this conference instructs its representatives in both State and Federal Parliaments to leave no stone unturned until the financial system be altered, so that the community's credit is controlled by the community and for the community, and issued in the form of consumer credit to abolish poverty; that this resolution be forwarded to the next Federal Labor Conference for adoption by that body. Further, that such conference investigate the best steps to speedily attain such objective, and that this conference considers that the first step should be the immediate repeal of the Commonwealth Bank Act of 1923."

The first comment on this report is that it is very gratifying to see that the Launceston No 2 and Scottsdale branches have progressed so far as to be able to have such resolutions placed on the agenda. We congratulate them. It is also very satisfactory to note that the Labor Party as a whole is very alive to the necessity for monetary reform.

### WHAT ARE THE PRINCIPLES

We also welcome the fact that Mr. Ogilvie wants consumer credit to be issued to abolish poverty, but, in view of the previous statement that it was made clear that the Labor movement was not prepared to accept unreservedly the principles of Douglas Credit, we are left wondering what the party regards as the principles of Douglas Credit and how they would define "consumer credit."

We would suggest that the Labor Party is still in need of considerable education, if it is to be brought to see that this is not a vote-catching matter, to be rejected or accepted according to whether the party is considered strong enough to "stand up to its own principles."

It is quite evident that the

Labor Party does not understand the fundamentals of the situation, and we suggest that they make a thorough study of the manner in which industry incurs costs and meets those costs, and what bearing the creation, circulation and cancellation of money has on this question. Mr. Gordon Cumming's "Money in Industry" is a good book to commence with. It is the appalling ignorance of the Labor Party, which has been its downfall in the face of every major crisis, which has come along. We ask is it any better prepared in 1936 than in 1929, when it adopts Community Control of Credit as its first plank, with the deliberate intention of bringing this issue before a Federal Labor Conference, and rejects the National Dividend and Just Price because these are Federal issues, though not more so than Community Control? Why not get down to the basic principles underlying the three proposals?

### ATTACK ON MR. CARRUTHERS, M.H.A.

One statement to which we are able to give an unqualified denial was: "It was stated that if the Chairman" (of the Tasmanian Monetary Committee) "had had his way it would have been impossible for the committee to have issued a unanimous report." We were in touch with Mr. Carruthers and are aware of his problems and difficulties. We know that this statement is ridiculous if it is intended to convey the impression that he tried to put forward impossible recommendations. He had to bear the brunt of preparing the draft report at short notice. Every draft report must be modified unless it is the work of a genius, and this was doubtless no exception.

The same tendency to attack Mr. Carruthers was seen in a recent leading article in the "Voice." The quotation is as follows: ". . . Major Douglas while in Australia strongly advised that there should be no Douglas Credit candidates." (Did he?) "Secondly, the Douglas Credit Movement now seems to consist, in every Australian State, of two warring sections; the educative branches of the Douglas Credit Society, that merely seek to teach and dictate to none, and the political branches of the Douglas Credit Society seeking Parliamentary representation through Douglas Credit candidates. Thirdly, so far as this direct Parliamentary representation is sought in any State sphere, this objective cannot possibly be any more, and can hardly be pretended to be any more, than a mere convenience for self-seekers, political adventurers and careerists, for none of Major Douglas's proposals can be advanced in any way whatever in the State Parliaments of Australia."

The success that has attended the return of Mr. Carruthers to the State Parliament gives the lie direct to this, and the very fact that the Labor Party is so anxiously discussing the question is one direct result which is very gratifying from our point of view, if somewhat embarrassing to those who are anxious to be strong enough to stand up to their own principles, without putting out Douglas bait.

Inquiries have been received from other States as to our attitude to politics. The Association is a non-political body in the sense that it does not intend to nominate candidates at any election. Individual members are free to do as they please, but we do not desire the formation of a Douglas Party. We expect that for State elections independent members will continue to stand for the purpose of giving publicity to the movement, and for moral effect. The electoral system in Tasmania is much different from the Federal or any of the other States. Six candidates are elected for each division, and if a candidate can poll 2000 votes

## THE PEOPLE'S MOVEMENT TO ABOLISH POVERTY

### Programme of Action

### Outline of Campaign for Abolition of Poverty and Distribution of National Dividends

Just as Economic Democracy Demands that economic initiative as to objectives shall be governed by consumer requirements, so Political Democracy, if it is to become an effective reality, requires that political initiative, not as to means, but as to objectives, shall be vested in the people, not as a concession, but as a dynamic right.

Without these two, this civilisation is doomed.

—Major C. H. Douglas.

Summarised below are the objectives at which we aim, the programme of action by which that aim may be attained, and the democratic method of carrying it out.

**Objective:** To transfer the beneficial ownership of credit from the banks to the Australian people.

**Programme:** To bring Parliament, and consequently the forces of the Crown, which Parliament controls, under popular control in regard to objectives, and not in regard to the means of attaining them.

**Method:** (1) To present policy systematically to all voters. Sufficient information should be placed before them to show that they can have a larger personal income, with absolute security, by means of a National Dividend. Upon their agreement they should then definitely be asked to vote for that candidate only who will demand its immediate payment.

(2) To instruct the member of Parliament in the policy of the people, and his function in securing it; which is to insist upon results, and if necessary to pillory the actual individual responsible for the attainment of results in the event of their non-attainment.

(3) If the member of Parliament refuses to support the policy of the people, to nominate a new candidate.

### DEMAND A NATIONAL DIVIDEND

#### You are a Citizen of a Rich Country.

Shops and warehouses are full. There are machines and materials to ensure plenty, comfort and security for all. In spite of this there is poverty.

#### Poverty Today is only Lack of Money.

Poverty means worry and despair for millions. Yet money is only a ticket. Goods are the real wealth. More money must be distributed, but wages alone are not enough.

Wages are payment for human work.

Modern methods mean more goods, less human work and therefore less wages.

#### But the Goods are there.

So all must have money whether working or not, if they are to live, and be customers of industry.

#### An Extra Money Income for All apart from Earnings.

This is what the National Dividend will be. It can and He had an excellent chance of being elected. There does not appear to be any reason why each division should not return one Douglas candidate to the next State Parliament. These remarks are of course entirely unofficial and personal opinions.

The most important thing to notice about this programme of action is that if it is properly executed it will secure the objective.

The first stage, which is a house-to-house canvass of the electorate, requires action from individuals which, though arduous and exacting, can be performed by anyone of average intelligence, whether conversant with Social Credit technique or not, and with the minimum of training. It has actually been proved by experiment that the canvass can be carried out over a sample cross-section of society, and with only hurried preparation, with success varying between 70 and 80 per cent.

Appeal is made, not to any individual or group of individuals whose authority rests upon formula or custom, but to the actual source of all authority, the collective will of the people.

The people are asked to exercise their authority, not through any new channel of which they might be legitimately suspicious, but through the existing institution of Parliament; whose orders will consequently carry the full force of ultimate authority, which includes the armed forces of the Crown.

It is sufficient for the present to define an order as "an expression of will conveyed to an executive, indicating what is to be done, but not how to do it."

must be issued without inflation and with reduced taxation. A secure, independent, personal income will remove the fear of poverty, offer a fuller life to every man and woman, and preserve liberty of speech and action.

#### This is a Democratic Country.

Governments exist to carry out the people's will, but they must be told what that will is. Poverty can be abolished, taxation reduced, and plenty distributed.

#### Use your vote for what you want.

DEMAND THE ABOLITION OF POVERTY AND THE DISTRIBUTION OF NATIONAL DIVIDENDS.

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# CAPITAL AND INCOME

By JOSEPH T. HOLLOW, M.B., Ch.B.

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(1)

## ESSENTIAL ATTRIBUTES OF MONEY

The essential attributes of money are functional, and money is performing its function when it is being used. Consequently, the idea of dispossession should always be associated with a true conception of the nature of money. Held, or possessed, money is static and its attributes are then potential. The normal and necessary use of a unit of money is to act effectively as a medium of exchange in a production-consumption cycle, and having acted effectively the unit of money is functionally cancelled.

Production means transformation of grosser materials into materials of enhanced value in respect to their utility or aesthetic qualities, and rendering of services directly or indirectly associated with transformation of materials.

Consumption, in so far as money is concerned, means final exchange of goods brought to their last transformation in production. Realistically, consumption means disintegration of qualities by use or from effects consequent upon the passage of time.

Capital as hereafter used means money, and corresponds to the "loan capital" of the orthodox economist, a term used in contradistinction to fixed capital (material capital) and to capital represented by latent energy and psychological potentiality as well as the realisation of psychological satisfaction.

(2)

## TWO KINDS OF MONEY

Functionally money is of two kinds—Capital and Income. One kind of money is convertible to the other kind at the choice of the possessor of money. During the functional existence of a unit of money it may change from one kind to the other kind. Before demonstrating this in detail let us define the two kinds of money in the way in which we are now regarding them.

Income is money expended by individuals for purchase of ultimate consumption goods, and is money, which spends do not expect to recover in respect to the goods purchased. Such money, so used, is rightly regarded as spent. Income is the only kind of money, which will finally remove goods from the market and consume them. Income is money, which finally extinguishes an equivalent cost.

Capital is used to purchase goods and services on capital account, and capital used to purchase goods, in contradistinction to income, does not finally extinguish cost.

(3)

## THE FINANCIAL-ECONOMIC CYCLE

Let us now trace two separate £1's in their financial-economic cycles. The two pounds issue from a sum of reserved capital (money saved from potential income or profit) or from a bank loan (an issue of credit). The two £1's are used in production. One pound (Capital £1 A) is paid away for service and its possession is transferred to a worker and becomes potential income. This £1 A is spent as income in the purchase of ultimate consumption goods and extinguishes £1 of cost and replaces £1 of capital, or repays an equivalent bank loan. Its financial-economic cycle is complete because it can only issue again as a financial agent in a subsequent cycle.

The other £1 (Capital £1 B) is used for purchase of capital goods—i.e., goods to be used up, or incorporated, in production. It passes to an antecedent producer to extinguish £1 of his cost and replace his capital or repay his bank loan to an equivalent amount. The financial-economic cycle of this £1 is also complete. Each £1 in its cycle is functionally cancelled. But the latter £1 has not finally extinguished cost. Its use generated a capital cost for the last producer's goods. This cost, up to the present, remains unrecovered.

(4)

## CHANGE OF MONEY AND COSTS

In the above statement, where profit has been disregarded for the sake of simplicity, we see how a unit of money can change from capital to income, and from income to capital (£1 A). We can also see how a unit of money (£1 B) can be transferred as capital, how in its cycle it never becomes income, and how it can extinguish a previous cost and be cancelled, but at the same time generate an equivalent cost. Thus capital used for purchase of goods on capital account does not finally extinguish cost in its cycle.

(5)

## THE DOUBLE FLOW OF MONEY

A perception of the nature of capital and income, as above indicated, does not conclusively provide proof that the money value of income derived from production is less than the money value of the costs of that production.

To seek proof, or otherwise, of this contention it will be necessary to consider the origin and fundamental nature of capital. However, the statements show that, at any point of time, money used in production is taking two courses to its cancellation. One portion becomes income, which finally extinguishes cost. Another portion is a transfer of capital, which in its own cycle never becomes income, and which in its own completed cycle does not finally extinguish cost. The statements also show that total cancellation of money must be carefully distinguished from total cancellation of costs, which are generally accepted as legitimate demands for money. The statements further show that money to extinguish portion of cost in the cycles we have been considering must come from some source external to those cycles. Here and now, in parenthesis, the reader is requested to note and remember that this money must be created in relation to achieved production, it must be effective in finally extinguishing cost, and, consequently, must be of the nature of income. It must not be created in relation to new production, and be of the nature of capital which generates new and additional cost. Under existing practice money is created as capital and the ability to create this money gives power of virtual ownership of all production and control of all economic activities. This power is too vital to remain vested in a profit-making monopoly, which owns and administers a defective financial mechanism. (Cf. Sec. 10). A clear and definite understanding of these points is essential to an understanding of the working of the intimately associated financial and economic systems, for total production is constituted by the sum of complete and incomplete cycles as above demonstrated.

(6)

## VELOCITY OF CIRCULATION

The proper and effective use of money can only be perpetuated by using it in normal production-consumption cycles. The velocity of circulation depends upon the rapidity with which money completes the cycles. It is sometimes assumed that money recovered as capital in the normal production-consumption cycle can be effectively and properly used for purchase of ultimate consumption goods, and such assumed use in rapid and frequent sequences is presented as an illustration of velocity of circulation. A seller of goods who misuses his recovered capital like income is not increasing the velocity of circulation; he is retarding it. Moreover, he is spending capital, and if he be a businessman or a financier is soon regarded with suspicion by his associates. Yet economists regarded by many as "sound" have used the capital spending assumption in support of their demonstration of velocity of circulation. Their illustration is of this nature: A butcher can sell meat and in return receive £1. With this the butcher buys groceries; the grocer with his £1 buys petrol, and so on. Of course, the last seller could come back and start the train over again, "velocity of circulation" depending upon the rapidity with which buyers could travel between retail establishments and the celerity with which sellers could get rid of their turnover. Need we pursue the matter further?

(7)

## NATURE AND FATE OF INCOME

Income originating from capital proceeds from production and confers the power to consume (potential income). When money is spent as income it extinguishes an equivalent cost in a production-consumption cycle and restores capital, which can be used in a subsequent cycle where it generates a new cost. Income is sometimes called effective demand because it finally removes goods from the market. Potential income can be diverted from a return to its source, whereby it fails to extinguish cost and leaves a production-consumption cycle incomplete. Thus, potential income can be saved and capitalised to initiate another cycle. One unit of money, by saving and capitalisation, can generate two or more equivalent costs, but can only extinguish one equivalent cost. This results in goods remaining on the market unsold and unconsumed. The full significance of saving with capitalisation should be well pursued, for thrift is lauded as commendable, although the thrift of a today corresponds to an unpaid debt of a yesterday and a national debt of a morrow. Moreover, thrift is an imperative necessity in a world of economic insecurity.

(8)

## NATURE OF CAPITAL

Capital is a store or fund of money acquired or created for a necessary and definite purpose. It confers the power to produce. It performs two functions:—

1. It provides a means of sustenance for labour while the labourers are engaged in work.
2. It provides a fund for the purchase of goods for production.

Capital makes three claims:—

1. It claims the privilege of earning interest.
2. It claims the privilege of legal protection by the State.
3. It claims the privilege of replacement if used in production.

In a money economy, establishment of a store or fund of capital will always be necessary in order to carry on economic activities. Whether capital be owned and controlled by private or State agencies, claims 2 and 3 will still need to be maintained. The essential nature of capital will not change with any change of ownership or control.

(9)

## ORIGIN OF CAPITAL

Capital is established in two ways:—

1. By capitalisation of savings from potential income and from profit, the latter being the potential income of entrepreneurs. By capitalisation of savings, potential income is diverted from its primary obligation and is not spent to extinguish directly a cost in an existing production-consumption cycle. If invested in new production it initiates a new cycle and generates costs equivalent to its sum, but only becomes potential income to an amount equal to its sum less the amount used for purchase of goods on capital account. (Cf. Sec.3.) Capitalisation of savings must be distinguished from saving, which temporarily withholds potential income from spending. Probably a large proportion of deposits in Savings Banks represents money saved and reserved for future spending, and the same is true, to a much less extent, of deposits in trading banks. Also investment in new production must be distinguished from investment, which is an exchange of capital. For example, money saved may be used to buy a house (fixed capital) or shares (claims to capital or fixed capital). Here we are dealing with exchanges of capital to which statements above are not applicable.

2. By the creation of bank credit. The creation of bank credit is essentially a creation of capital for production. An issue of bank credit is regarded as a loan and constitutes a bank asset until the loan is repaid and cancelled. Bank credit is transferred during its use by credit instruments, which include cheques, bills and currency. The relative amount of currency deemed necessary is somewhere in the proportion of one-tenth of the current credit issue. Consequently, the current credit issue is limited by the banks' holding of currency and of currency equivalents such as Treasury Bills, which are regarded as claims for currency upon the central bank which could be realised upon demand. With a continuously functioning and expanding industry, the currency limit of credit determines the rate of credit cancellation. The rate of cancellation is indicated by comparing the average amount of credit uncanceled at consecutive periods of time with the total amount of credit issued during the periods of time. For example, if the average amount of credit uncanceled per day, week or month of a year was £500 millions and the total amount of credit issued during the year was £3000 millions, then the rate of cancellation would have been 500/3000, equals 1-6th of a year, equals 8 2-3rd weeks. This would indicate the average life of a bank loan was 8 2-3rd weeks. Where bank credit is used to purchase goods on capital account the rate of cancellation of credit in relation to the rate of consumption of the goods is a vital factor in the marketing of goods (Cf. Secs. 11 and 13.) An issue of bank credit (less hoarding) creates a deposit or -deposits to a like amount. Each deposit may be:—

1. Set against a loan previously granted by his bank to the depositor to reduce the loan wholly or in part.
2. Set against a similar loan less than the deposit, when the depositor is credited with the difference.
3. Credited in full to the depositor if the depositor has had no previous loan from his bank.

(To be continued.)

## NEW DOUGLAS CENTRE LAUNCHED IN WESTERN AUSTRALIA.

By J.F. (Perth)

On March 31 the new Douglas Centre was definitely launched at a pleasant Douglas evening held at the Arundale Hall. Amongst those present we were pleased to notice representatives from several of our country centres, including Manjimup, Quairading, Yealering, Cunderdin and Northam.

The primary object of the evening was to launch the W.A. Douglas Centre. For the sake of our country friends, I will repeat the particulars of this Centre. The address is 419-421 Wellington-street, which is next but one to Boans, and next to John Wills and Co. We hope to be in possession not later than April 20, but before we can begin to do what is in our minds the Centre must be furnished. Already we have received promises of special donations and of actual furniture. To assist to finance the venture, the Executive is issuing non-interest-bearing debentures at £1 each. These may be taken up and paid for by June 30, and all those who do this will have their names recorded on a Centre foundation list, and hung within the premises. The activity at the Centre will cover meetings, which will include a special Sunday night meeting, a midday canteen, a library and, in fact, it will become a Douglas home from home, and will be not only in name but in fact a Centre from which will radiate new strength to all parts of our great Movement. The headquarters of the Movement will be accommodated at the Centre.

May I request country branches to keep the office informed of any items of interest, which may be passed on through these notes.

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