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# THE NEW TIMES

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## Sir James Elder and the Union Trustees

You may have read the annual address delivered to the Union Trustee Co. last week by its chairman, Sir James Elder. But did it occur to you to question the chairman's sincerity?

James Alexander Mackenzie Elder, now in his 67th year, has truly found Australia a land of opportunity since he came out here from Scotland in 1891. Apart from his interest as managing director in John Cooke and Co., with which his association dates back to its foundation in 1895, Sir James is better known to the Australian public as chairman of the National Bank, chairman of the Union Trustee Co., and director of Goldsbrough, Mort. Sir James, you will see, is thus very much a man of finance. As a banker he plays his part in the manufacturing and destroying of our money supplies, and as a director of a Trustee Co. and of a big pastoral concern he has the opportunity of administering huge bank-created funds to suit banking policy.

The personal associations of Sir James likewise tend in the same direction. In the Melbourne and Australian Clubs he has the chance to keep in touch with bankers' views generally, and even, perhaps, to discuss financial affairs with such bright political lights as R. G. Casey, the Federal Treasurer, who is also a Melbourne Club member. And through his direct business associates Sir James is constantly in touch with the financial headquarters of Australia.

### SIR JAMES'S CO-DIRECTORS

In Union Trustees, for instance, he has on the board with him Mr. Alec. Bell, C.M.G.—decorations cluster naturally to the patriotic breasts of all these gentlemen. Mr. Bell is the man who used to be on the National Bank board with Sir James until our Hands-Off-The-15anks and No-Political-Interference Government appointed him to the board of the Commonwealth Bank. Mr. Bell, too, is a fellow member with Sir James in the Melbourne and Australian Clubs; he is also managing director of Robert Harper and Co., alongside Sir Arthur Robinson, of Collins House (and the Melbourne Club).

Another of Sir James's co-directors on the Union Trustees board is Sir David Orme Masson (also a fellow K.B.E.) who helps to direct the affairs of the National Mutual Life Association (as Mr. Bell does of the A.M.P.) and who likewise enjoys membership of the Melbourne Club.

In Goldsbrough, Mort Sir James enjoys the company of Sir Frank Clarke, another K.B.E., another member of the Melbourne and Australian Clubs, President of the Legislative Council of Victoria, and vice-chairman, under Sir James, of the National Bank. Is it any wonder that Mr. J. M. Niall, managing director and until

### Banker Who Is Destroying Money Pleads for the People's Savings And Attacks the "Absurd Anomaly" of Relief Expenditure

recently chairman of this company, makes such valiant, if not very profound speeches in favour of "sane" finance on every possible occasion?

Turning to the National Bank, the greatest of Sir James's achievements, we find more happy associations of the same kind. There is Mr. T. C. Alston, for instance, the chairman of Mr. Bruce's company, Paterson, Laing and Bruce, who also, amongst other interests, is on the board of the A.M.P. Then there is Mr. H. G. Darling, chairman of the great Broken Hill Proprietary; there is Mr. D. York Syme, who, in addition to the usual Melbourne and Australian Club membership, figures on such important boards as (amongst others) Metropolitan Gas and Mount Lyell. And finally there are the two other knights, Sir Ernest Wreford (recently retired from the post of chief manager of the bank) and Sir Henry Chauvel. Both these gentlemen, apart from their Melbourne Club membership, have various side interests—thus Sir Ernest is a prominent Chamber of Commerce spokesman, while Sir Henry helps to direct the affairs of the Colonial Mutual.

In the local boards of the National Bank Sir James Elder has the assistance of many other gentlemen intimately associated with banks, with insurance, pastoral and trustee companies, and with great financial-industrial monopolies here and abroad, and about whose activities, if space permitted, many a page could be written. Suffice it here to dazzle you with the titled litany of Lord Inverforth, Lord Luke of Pavenham, Sir James Leigh-

Wood, Sir Edward Macartney, Sir Thomas Glasgow and Sir Colin Stephen.

### AS THE TWIG IS BENT -----

What, you may say, has all this long preamble to do with the address of Sir James Elder to the shareholders of Union Trustees?

It has the same bearing as has the reading of a man's previous convictions before sentence is pronounced upon him. That is to say, if public men choose to make statements that are untrue or

### GAS!

London, April 7. —The House of Commons was somewhat astonished this afternoon when the Secretary for War, Mr. Cooper, replying to a member's inquiry, said the army was being trained in the use of poison gas as a legitimate form of modern warfare. Geneva, April 8. —A private sitting of the Committee of Thirteen commenced at 11 a.m. Mr. Eden immediately raised the poison gas issue, energetically pointing out that both Italy and Abyssinia signed the 1925 anti-gas convention, which did not permit exceptions in any circumstances. The use of gas by Italian aviators raised the question whether international conventions were of any value whatever.

—From the "Age," April 9.

childish, and which are then given by them to the daily press for publication (at advertising rates, we presume, in this particular case), the public are entitled to know these men's associations, in order to decide for themselves whether the statements made are merely a sign of senility or whether they proceed from deliberate hypocrisy or criminal ignorance.

What did Sir James tell his shareholders?

His general theme was one of improved business, due to better prices. He then proceeded to voice the usual complaint against taxation, followed by the lament that "the general trend of legislation tends further to damage the confidence of investors." And he concluded on the London funds note, and endeavoured to justify the increase in interest rates.

We have been dealing with "London funds" recently, so we may pass over this section of Sir James's remarks by simply drawing attention to the convenience of a banker having several platforms from which to expound his views. Let us look at the rest of Sir James's address.

### "DEFINITE IMPROVEMENT IN BUSINESS."

"During the year," said Sir James, "there was a definite improvement in the business of the country; the values of real estate improved . . . building operations were extensive . . . there was a marked advance in the market price of shares . . . The principal reason . . . has been the welcome improvement in the prices secured for our exports . . . In the forefront stands our chief asset, wool . . . hence a feeling of optimism prevailed, which led to greater confidence and freer spending . . ."

In the whole of those remarks do you see one single phrase that might not have come from your pet parrot? Is there one word of inquiry or of explanation as to why "values of real estate improved," or why there was a "wel-

come improvement in the prices secured for our exports"? Of course there was not. Sir James Elder, the Trustee Company director, could hardly be expected to blow the gaff on Sir James Elder, the bank director. What determines the "value" of real estate, the level of prices or the amount of spending, except the money in the hands of the people? And where does this money come from, except from the banks, which manufacture it by entries in their ledgers and issue it as interest-bearing debt to the people, but enter it among their own assets? No wonder Sir James, following his leader Montagu Norman, adopts the policy of "Never explain, never discuss."

Sir James, however, did allow one carefully guarded sentence to enter into his address. "We must not, however," he said, "lose sight of the fact that large sums of money borrowed in Australia were spent by the Government . . . and these . . . have contributed largely to the increased spending power of the community." We said that the sentence was carefully guarded, for Sir James made no reference to the source of these large sums of money borrowed by the Government. Naturally he would be modestly reticent on this subject, since here again, directly or indirectly, these large sums had to come from the only money factories, from the banks.

### "A GRIEVOUS BURDEN."

Having skated over this thin ice, Sir James then turned his attention to taxation. "Taxation," he lamented, "is still a grievous burden on the Australian people, and its incidence persists."

How did Sir James propose to lessen the burden? Did he mention, ever so lightly, how great a portion of our taxation goes in interest on our national debt? He made not the slightest reference to it. In order to refresh his mind, therefore, we recall a few typical figures:—

Year ended June 30	Public Debt of Australia (Australian) £ Millions	Total Taxation, Federal and State, £ Millions
1916	448	31
1919	694	44
1935	1390	95

We wonder do these figures convey anything to Sir James? Or does it mean anything to him that interest on the public debt (excluding suspended interest on the "war debt" to Britain) took over £50 millions out of our total of £55 millions of taxation last year?

What is the public debt, anyway, except the toll we pay to bankers for creating for us the fountain-pen money, which we could just as easily enter up for ourselves?

Hence again Sir James Elder's

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*Sir Frederick Stewart, M.H.R.,  
Ex-Under Secretary for Re-employment.*

*Dear Sir Frederick,  
We have long admired the honesty and decency which you brought with you into public life, and which, in spite of an overseas trip and a knighthood, you have somehow managed to retain. Your speech last week, in which you said that "relief payments in Australia have the flavour of public charity; this is not compatible with the dignity of the worker, who has just as much right to have his dignity considered as anyone else," was an example to some of the other knights mentioned on this page. But, Sir Frederick, could you not find the time to add a little further knowledge to your armoury?*

*You have already pleaded for a shorter working week. You now properly suggest that the ruling rate of wages in Australia does not allow the worker to provide for his daily needs and then put something aside for sickness, of age or unemployment. If, therefore, hours are to be shortened and pay is to be raised, or if, alternatively, either employers or the government, or both, are to make the provision for social insurance, what will happen? As a practical businessman you must know that further govern-*

*ment expenditure means further taxation; and that taxation, shorter hours, higher pay, or employers' contributions will certainly be passed on in prices, leaving workers in jobs no better off, and those with small fixed incomes (such as pensioners) much worse off. Nor, as you are aware, can employers avoid passing on these charges, or most of them, unless they are to go bankrupt.*

*The whole point, Sir Frederick, is this: You say, "Every member of the community should be compelled to contribute." What can they contribute? All sorts of tangible things, we grant you—real goods, genuine services. And very few would object to making such contributions. But the trouble lies in distributing them as and when and where they are wanted. This is a function of MONEY; and neither employer nor employee—not even governments—can produce money. That is the monopoly of the private bankers.*

*If you would look a little further into this matter of money and its supply, if you would spend, say one week studying it, you might find here the key to your forty-hour week, to higher wages for all and to a scheme of social insurance that would embarrass neither governments, employers nor employees.*

THE NEW TIMES

attitude of "Never explain, never discuss."

"THIS ABSURD BUT SERIOUS ANOMALY."

But Sir James had his plan for reducing taxation. "The numbers of our unemployed have undergone a satisfactory diminution"—unemployment, of course, does not mean insufficient food, or clothing, or shelter, or the mental torture which is even worse; it means figures, percentages—"yet taxation for unemployment relief is still as high as ever it was, and it is necessary to draw the close attention of the authorities to this absurd but serious anomaly, in the hope of an early rectification."

We wish Sir James Elder no harm, but nothing would give us keener pleasure than the prospect of reading one of his annual addresses *after he had spent a year on the dole in one of those "houses" built of rubbish on the West Melbourne swamp.* Could you then imagine him drawing attention to "this absurd but serious anomaly" while overlooking the scandalous impost of the national debt?

#### LEGISLATION DAMAGING CONFIDENCE.

Sir James next had his fling at legislation aimed at protecting unfortunate debtors, or, as he put it, "the enactment of Parliamentary measures having for their object the amelioration of distressed farmers and graziers and others engaged in rural pursuits, and who have been prejudicially affected in recent years by poor prices, adverse seasons and other causes mostly beyond their control." Now, isn't that nicely put? "Other causes mostly beyond their control"! Why doesn't Sir James have the common honesty to say "the bankers' destruction of money"?

Sir James delivered his address in Melbourne on Tuesday, April 7. On the very day previous, the Melbourne morning press had published the statement of the Victorian assets and liabilities of his own bank, the National. That statement showed that the bank's average loans in Victoria for the March quarter were £661,700 less than for the previous quarter. Naturally enough, the people's deposits in the bank were about £600,000 less also. And while his bank was thus *deliberately destroying money by calling up overdrafts*, Sir James Elder, its chairman, had the consummate impudence to complain that the Government was taxing "the savings of the people, on which the country depends for its expansion and development."

But Sir James is not hard. "I know of no instance," he proudly declared, "where harshness or hardship has been inflicted by us." The same thing, you may remember, is said regularly by every banker, by every director of a trustee, pastoral or insurance company in his annual trumpet blowing. So, no matter what you may hear from your friends, no matter what you may have experienced yourself, it is up to you to remember that no harsh motive causes these gentlemen to take action against you. They are only fearful lest their mistaken forbearance should, in Sir James's well-chosen words, "weaken those qualities of individual initiative and independence and the sense of personal responsibility which are inherent in British character." So, when you walk off your property, remember, with Sir James, to thank God that you are not a common foreigner; remember that initiative and independence are inherent in your British character.

But don't ask any awkward questions about the interdependence and the killing of initiative practised by the institutions of gentlemen from the Melbourne Club.

And; above all—  
DON'T ASK ANY  
QUESTIONS ABOUT BANKS!

#### THIS WEEK'S GEM!

"Better Times Ahead."  
--Title of "Argus" editorial,  
April 9.  
"Last Issue Today."  
--"Star" editorial, same evening.

## FINANCE MOVES AGAINST SOCIAL CREDIT

### The Position in Alberta—and Elsewhere

By J. C. FOLEY, B.Sc., Hobart.

It was reported recently that the Premier of Alberta had severed all connection with Major Douglas. This may be a disappointment to many who considered that Social Credit would get a fair try out in Alberta and would be able to put up a successful fight against the powerful financial interests. Some of us have not been so optimistic. It might be said here that it would, of course, be very encouraging to see the proposals tried out successfully, but it does not follow that any serious damage will be done if they are neither tried out nor successful in Alberta.

#### HOW DOUGLAS CAME TO ALBERTA.

A review of the course of recent events may be of interest. About the middle of last year Major Douglas was invited to go to Alberta by the former Premier, Mr. Reid, to act as reconstruction adviser. The proposals of Mr. Aberhart had become very popular at the time and Major Douglas was asked by the Attorney General to criticise them. There is every reason to believe that the main purpose of inviting Major Douglas to Alberta was to create dissension between the Aberhart and the Douglas followers. The attempt failed. Major Douglas replied that Mr. Aberhart was doing fine work in making the people Social Credit conscious, but he presumed that when it came to working out the technical details Mr. Aberhart would be prepared to consult technical advisers rather than attempt to work them out himself. Douglas regarded the technical ideas of Aberhart as unsound. Mr. Aberhart's comment was that if his party were elected he would certainly rely on Major Douglas himself for the technical means necessary to give effect to his promises.

#### ENTER MR. MAGOR.

After the elections Mr. Aberhart found the Treasury empty, and he had to ask the Dominion Government at Ottawa for financial assistance to carry out urgent obligations left by the previous Government. Temporary assistance was given, and it has been suggested that conditions were imposed which have not been made public. Whether this was so or not, one of Mr. Aberhart's next moves was to call in Mr. Magor as financial adviser. This Mr. Magor was formerly president of the Montreal Board of Trade. He was appointed by the Bank of England as special adviser to Newfoundland when that province got into financial difficulties and lost its constitution. He was also president of the National Steel Corporation, a director of the Central Bank of Canada, and otherwise affiliated with financiers' groups.

Mr. Aberhart's main problem was that he was faced with a two million dollars deficit and a debt of 148 million dollars left by his predecessors. He defended his action in engaging Mr. Magor on the ground that that gentleman was competent to give valuable advice on Alberta's difficulties. After getting these matters straightened out, he intended calling in Major Douglas to act as expert adviser in introducing Social Credit. In the opinion of many, Mr. Aberhart was in danger of being delivered into the hands of the Philistines.

#### WHAT DOUGLAS HAS SAID

Major Douglas evidently shared this view. At any rate he was not kept informed as to what was happening. Major Douglas has been reported as having made, from London, the following statement:  
"While the Government of Alberta is acting under the financial advice of Mr. Magor

it is useless for me to go there. There is no reason to suppose that it will act under mine. People seem to think that Social Credit is a sort of game, which can be learnt easily. Actually it is a succession of measures, which must be adopted very carefully, step by step, and in Alberta none of them has been taken. In my opinion it is possible to introduce Social Credit into a community, even if, as in the case of Alberta, it is insolvent. I have suggested that certain things should be done, but they have not been adopted. The position with regard to my visit lies with the Alberta Government."

A recent issue of "Social Credit" stated that Major Douglas regarded Mr. Magor's appointment as a breach of contract with him as principal Reconstruction Adviser, and that he could not be responsible for duties which it was impossible under the circumstances to perform. He had, therefore, given notice to Mr. Aberhart of his intention to terminate his contract. This was, of course, his only possible line of action if he wished to prevent Social Credit being placed in an intolerable situation.

More recent cables indicate that in spite of Mr. Magor's expert advice Alberta is in serious difficulties financially. Bonds to the value of £640,000 "matured on April 1, but were not met, and the Canadian Government was calling a conference of provincial Premiers to discuss the default. It appears that Mr. Aberhart applied for a loan to meet this obligation, but was refused by the Canadian Government. The reasons given were that Mr. Aberhart had refused to come into the newly-formed Loan Council, and that he proposed to introduce legislation to compel all bondholders to convert their holdings into perpetual bonds paying 2½ per cent, interest. Possibly Alberta will be deprived of its constitution as Newfoundland was a short time ago. This seems to be a very likely step for High Finance to take. Or, possibly, Mr. Aberhart will be treated in the same manner as Mr. Lang and deposed. This would present some difficulties, in view of the state of public opinion. But it certainly looks as if the possibility of Social Credit being given a trial is very remote, and that a very pretty web has been woven about Mr. Aberhart from which little short of a miracle can release him.

#### CAN NEW ZEALAND DO BETTER?

This should be a warning to politicians nearer home. On Friday week a very interesting broadcast was heard from the New Zealand radio stations, when the debate in the New Zealand Parliament on the second reading of the Government's Monetary Reform Bill was put over the air. There have been no references to this legislation in our Tasmanian newspapers. This at first sight seems extraordinary, but it is something to which we are becoming quite accustomed. The question we are interested in is whether New Zealand can do any better than Alberta. Are politicians sufficiently versed in the tricks of high finance to prevent themselves from being out-manoeuvred and sewn up as Mr. Aberhart apparently has been? We have had some examples of how the Labor Party has been outgeneraled and smashed because of its inexperience and lack of well-informed leadership in times of crisis. It did not, and even now does not understand the first principles of the problems of finance. High Finance on the other hand always has the inside running, it always has the most exact

stable information and it always controls the jockeys.

#### POLITICIANS' HANDICAPS

It does not follow that there is no way of escape for democracy. I would suggest that the most powerful weapon in the hands of High Finance is the ignorance and apathy of the people regarding the menace of their approaching enslavement. Let the people realise what is going on and it will be increasingly difficult for the shackles of Fascism and serfdom to be forged for them.

Another important point is that politicians should understand their limitations and employ the right men to guide them and work out the technical details of any policy they adopt. Politicians have a great many handicaps and in most cases are hopelessly incompetent to grapple with such problems as we are faced with at the present time. The Versailles Treaty is one case. Gentlemen who talk about hens laying purchasing power afford other examples.

But we must not overlook the vast body of politicians who are obstructed and bound by party systems, and are instructed by conferences such as one recently which refused to accept a straightforward principle of reform at one minute and a little later swallowed it, hook, line and sinker, because it was put into obscure language which the delegates probably did not understand.

I would not say that such a system should be condemned, but parties and conferences should also realise that they are only qualified to formulate and dictate objectives and not the technical methods of achieving those objectives.

I should like to say at this stage that the Tasmanian Labor Party is to be congratulated on its progress in the direction of Social Credit. If its recent resolution to the Federal Conference meets with the support that it deserves and the right men are employed to give effect to it, then we shall be well on the way towards a Social Credit Commonwealth.

There is another handicap of politicians to which I should like to refer briefly, and that is the common trait of pettiness. I refer particularly to certain attacks, which have been made by Tasmanian Labor politicians, directly and indirectly, on Mr. Carruthers. In one instance it was stated that Parliamentary representation by Douglas candidates in the State sphere can only be a convenience

for political adventurers. I think that most people will agree that the splendid work put in by Mr. Carruthers, together with the moral effect of his election, is sufficient answer to such an uncalled for and unprovoked attack. It is safe to say that we would not have made anything like the progress we have made, even in the ranks of the Labor movement itself, if we had not secured Mr. Carruthers' return. Mr. Carruthers fully deserves the wholehearted support of the Douglas following and to refuse this is quite unthinkable. He is one of the few men we can rely on to push forward the cause of Social Credit, both in and out of Parliament.

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# "THE HAND IS THE HAND OF MAGOR"

## Liberal Leader's Attack on Aberhart

### Says Alberta Premier Has Never Grasped Social Credit Idea

Following the announcement of Major Douglas's resignation as principal reconstruction adviser of Alberta, a vigorous attack on Mr. Aberhart was launched last month in the Alberta legislature by G. H. Van Allen, K.C., Liberal member for Edmonton, in which the Premier was charged with having betrayed the trust reposed in him by those who voted for Social Credit and with having brought in a "Magor budget."

"This budget," he said, "is the very negation of all that was promised by the Government before the election. This budget sells the poor of Alberta into the bondage of the bondholders. This budget is a tax on food, clothing and shelter. This budget is a means of deflation, and will decrease instead of increasing purchasing power. This budget is the antithesis of Social Credit."

Mr. Van Allen reviewed the promises made by Premier Aberhart before the election, and quoted his own writings to prove those promises. He compared these pre-election claims and pledges with post-election actions and with shifts in opinion.

#### "MAGOR BUDGET."

R. J. Magor, Montreal "financial physician," was attacked by the Liberal speaker as a protector of bondholders rather than of Alberta citizens. The budget, Mr. Van Allen said, was a "Magor budget."

He assailed particularly the reduction, by more than 2,000,000 dollars, of the amount estimated for agricultural relief, and he referred to Mr. Magor's record in Newfoundland.

By quoting writings of Major Douglas and of Premier Aberhart on the subject of Social Credit, Mr. Van Allen showed that two years ago, and a year ago, Mr. Aberhart had declared that Major Douglas's help would be necessary to the establishment of a Social Credit plan in Alberta. The Liberal stressed the change of opinion expressed since that time.

Premier Aberhart's pre-election declaration that there would be no need to go to Ottawa for money was contrasted with his post-election actions—a total of 7,825,000 dollars in Federal loans since the Aberhart Government took office.

Mr. Van Allen condemned the budget as designed for the benefit of bondholders.

"The voice," he said, "is the provincial Treasurer's, but the hands that wrote the budget are the hands of Mr. Magor."

"The estimates disclose two outstanding features: First, a 20 per cent. increase in taxation to raise 3,268,000 dollars; and, second, an increase in ordinary expenses costing 837,000 dollars.

#### "IN ESSENCE IT IS A WAGE TAX."

"The proposed increase in taxation comes mainly from the new

sales tax, to produce 2,000,000 dollars. That tax is a tax on food, clothing and shelter. It is said not to be a wage tax, but in essence it is a wage tax. It is a tax that is laid on every man, woman and child in Alberta—the worst kind of tax because it bears equally on the poor and on the rich.

"Social Credit promised free dividends to provide food, clothing and shelter to the poor and underprivileged. Instead, this budget decreases purchasing power by this tax.

"What the Government has done is this: Instead of increasing the purchasing power of the poor, it has sold the poor people of this province to the Ishmaelites, to serve the Pharaohs of sound money."

Mr. Van Allen reviewed the Liberal point of view—and quoted the Social Credit party's newspaper to show that Mr. Howson, as leader of the party, had declared himself as ready to support Premier Aberhart's Social Credit legislation providing it was done without increasing taxation and without adding to the public debt.

"We have urged the Government, and do now urge it, if it has a remedy for the economic depression, to apply it now, at this session, inasmuch as hardship and

**ALBERTA.**  
(As seen by Social Credit's official organ.)

Up to the present, although we hope that this will not continue, the Alberta Government has been, to all appearances, vying with Mr. Phillip Snowden, as Chancellor of the Exchequer in the first Labor Government, for the laurel wreath of the perfect financiers' agent."

"Social Credit," March 6.

distress are more serious than ever before."

**WHAT DID DOUGLAS SAY?** After stressing that the Government had concealed all details of its correspondence with Major Douglas, Mr. Van Allen proceeded: "I have a right to suspect what was in the correspondence. Has Major Douglas said that the whole Aberhart scheme is based on misconception of true Social Credit and that it is therefore technically unsound and impractical?"

"Personally I opposed the Aberhart scheme with all my power, and I believe I was elected because I exposed it as a fake and a sham. We said it was a gigantic tax scheme, and nothing else. In this we were borne out by Major Douglas himself in his letter to Hon. J. F. Lymburn, then Attorney-General, on June 7 of 1935, in which Major Douglas referred to the Aberhart scheme as follows: So far from such a proposal increasing purchasing power, it is a form of taxation which in all probability decreases purchasing power by raising prices. It would appear on the face of it that Mr. Aberhart has not grasped that Social Credit involves the creation of additional purchasing power."

Mr. Van Allen declared belief that the Social Credit members of the legislature "will in due time confess the truth of Major Douglas; I am convinced that the members are sincere but that for the moment they have been misled and misguided by one who has persuaded them that he does know what, in fact, he does not know."

**SAYS TIME WASTED** Accusing the Government of wasting time, Mr. Van Allen told the Social Crediters that they were elected to overcome poverty in the midst of plenty, "but the only visible change is that members in the Government benches have

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#### Why You Have Not Got It.

You do not possess what you want because you have not asked for it. Because you have allowed the politician—*your servant*—to become your master. Because you have listened to his dictates and allowed him to impose *his will* on you instead of imposing *your will* on him. As a *voter*, you have not made clear what you want, and shown that you are *absolutely determined to get it*.

It is for these reasons that you suffer financial worry—that you are oppressed by that ever-present sense of insecurity—or that you are in receipt of sustenance. Will you take steps to repair your foolishness and enjoy God's plenty?

#### How You Can Get It.

The easiest and quickest method of obtaining what you want is to order Parliament, *your servant*, to give effect to your will. That is what Parliaments exist for—to carry out the will of the electorate. If, then, you, the Australian people, are not to lose your liberties, but are rather to increase them, as is quite easily possible, you have to discover what it is that you all want in common—that is to say, some desire which is so common and fundamental to the vast majority of men and women in this country that it can be crystallised into a single, united, determined and successful demand made of their lukewarm or reluctant leaders. Remember, *if enough of you want a thing you can have it with absolute certainty*, and no politician will dare stand against you.

If, then, you will give a direct and united order to your members of Parliament to see, *before anything else*, that poverty is abolished in this land of plenty, or possible plenty, how long do you suppose the Government would take to get on with it? Within twelve hours of the next assembly of Parliament the Government would be taking expert advice for a practical scheme to be put into operation at once so as to ensure that

achieved plenty in the midst of poverty."

The Liberal also noted that, after assailing "the 50 big shots of Canada," Mr. Aberhart and attorney-General Huggill posed in Toronto for photographs with Sir Joseph Flavelle, "the biggest shot of the 50 big shots."

"All the Premier has done to date is make friends with the big shots and make a show of force against the defenceless civil servants of this province."

In conclusion, Mr. Van Allen demanded immediate action towards the establishment of Social Credit, or else the confession by Mt. Aberhart that he was a failure.

the will of the people should be obeyed and their demand carried out with all possible speed. Poverty would be abolished, misery and insecurity banished, crushing taxation lightened, everyone's standard of living raised.

There is no physical reason against it; there is every reason for it. There is, or can be, plenty of every kind of goods or services; all that needs doing is bringing them to the people who need them.

If the present experts can't or won't do it, Parliament must dismiss them, as it is perfectly well able to do at the order of the people, and give the job to others who can and will produce results.

Demand, therefore, that your member of Parliament makes it his business, *before anything else*, to see that the Government gives orders to experts to abolish poverty and to distribute to you and every Australian citizen *National Dividends*. Remember, the Dividend is your right and your due—*don't let it be denied you*.

If your member won't do what you tell him, replace him by some one who will. This course of action will *certainly* lead to a rapid and complete solution of the problems of poverty and loss of freedom, which are clearly not problems at all as soon as facts are faced.

This is the way—the one way, the sure way, the quickest way of making the people's will prevail—**GIVE PARLIAMENT YOUR ORDERS!**

## SPLITTING THE VITAMIN

### By YAFFLE, in Reynolds News

Scientists are now engaged in splitting the Vitamin. Already they can split Vitamin D into two factors. A to Z will follow.

It is part of the process of arranging the lives of the masses on a scientific, hygienic and economic basis.

I'm told it is due to the Health Ministry's desire to determine the minimum diet, which an unemployed man can exist on without falling to pieces. They thought a whole Vitamin per head would unbalance the Budget, so decided to split it.

Too long have the common people gone on eating just what they like. Indiscriminate eating has threatened our financial stability and is undermining the moral fibre of the nation. Eating must be controlled.

It will be difficult. Once the eating habit gets hold of a man it is hard to wean him from it.

Many a gravy-sodden eatard, many a fish and chipsomaniac has begun his downward path to ruin, or steak and onions, because he lacked the courage to say "No" when his friends invited him to join them in a spot of eats, and wished to prove his manhood.

"A steak pudding now and then can't do any harm," he says to himself.

But the habit grows on him, and before long, instead of living on rice and watercress, a comfort to the Board of Trade and a solace to the shareholders, we see him, still young, demanding a rise of two-fifths of a penny an hour to satisfy his craving for proteins.

Many an innocent girl, dazzled by the sizzling of sausages in a window, is lured into an eating den, and—well, the story is an old one. Instead of growing up to know the joys of motherhood with a group of darlings round her knee, she has a crowd of kids round a table yelling for more hash.

Vit-splitting is, of course,

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consistent with the trend of modern science, which is always splitting things. The idea is that everything is too fat and the universe would be more refined if all matter were divided into two parts.

That is why women are mainly engaged in reducing their weight by half. Of course, they throw the other half away. No doubt this is unavoidable, as a man cannot have two wives. All the same, it seems to me a waste of good woman.

It is not generally known that it was the size of a miner's wage that gave scientists the idea of splitting the atom. In fact, I didn't know it myself until my pen just jotted it down. Thank you, pen.

Thank you, sir.

The great Russian scientist, Dr. Pavlov, said that what a man eats largely determines his behaviour. This is important. If people behave according to what they eat, then clearly the Government must exercise strict control over the diet of the masses.

We must have experiments of the behaviour-values of food. They will be carried out, as usual, on rats and mice. Science owes a great deal to rats and mice. There ought to be Experiment Memorials to the animals that give their lives to the cause of making the world safe for scientists and getting inoculated with diseases to end diseases. There should be a large statue of a rat outside each University, and professors should raise their hats to it as they go in and out.

Some people doubt whether experiments on rats and mice teach anybody anything about men, seeing that a man is not a mouse, nor, with some exceptions, a rat.

I know a rat that ate the wooden spoon along with the porridge and came back later for his afters. A man would not have eaten the spoon, or if he did he would not have come back. However, that need not prevent professors from saying that the unemployed can be fed on wooden spoons, though some might say the spoons should be pasteurised.

The next job for science, then, is experiments for behaviour-diet. If a professor finds, after giving some mice a job to do, that they omit to turn up on Friday for their wages, he will announce that he has found the correct diet for industrial workers.

So we may look forward to the day when the masses will be forbidden, in the interests of health and prosperity, to choose their own food. They will go once a week to the Food Exchange for a blood test and be given a diet to suit their occupation.

It will be in capsule form and eaten on the spot in case a bluebottle should snatch it. A policeman will stand by to see that they bally well eat it and like it.

You cannot stop the progress of science, even with a brick.

## DOUGLAS SOCIAL CREDIT

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Good News from New Zealand

The detailed news now coming through from New Zealand cannot fail to be heartening to all those who are fighting the battle against unnecessary destitution and who believe that it is possible to achieve reform without sacrificing reasonable liberty for the individual.

The mere passing of the Reserve Bank Amendment Bill does not of itself signify a victory for Social Credit principles, since such an act, while restoring control of all forms of money to parliament, might indicate either the first step to Social Credit or the first step to State Socialism. It is in the speeches, which accompanied the Bill, and especially in the utterances of Mr. Savage, the Prime Minister, that we find the key to the attitude of New Zealand's Labor Government.

On the banking issue Mr. Savage has expressly said (as is indicated by extracts from his speeches in this issue) that he considers it the function of the people, through parliament, to direct the policy and of the bankers to carry out this policy through their administration. He does not propose to interfere in the technique of banking any more than in that of hospital operations.

And, as for what the country's banking or monetary policy should be, he has made that abundantly clear also. If, he says, the country produces wealth worth £100 millions, then it is clearly right that the money equivalent should also be produced, otherwise neither producer nor consumer will benefit. He also understands that it is imperative to produce this amount of money whether it is intended to sell the goods at home or abroad; for, since the basis of foreign trade is, or should be, a mutual interchange of goods, it follows that unless there is sufficient money in New Zealand to buy New Zealand's exports there cannot be suf-

ficient to buy the corresponding imports. Mr. Savage will have none of this nonsense that recovery must come from abroad.

With the head of a sovereign government speaking in this way, and with the support behind him of a party which has power as well as office, people all over the world are entitled to hope that New Zealand in 1936 will make world history in the abolition of poverty—and of war.

The Setting of the "Star"

In well-informed circles in Melbourne there was little surprise when the *Star*, the evening paper conducted by the *Argus*, suddenly announced a week ago that it was ceasing publication at once. Rumours had been flying around that, in popular (or unpopular) parlance, "the man from the bank was in." But the final setting of the *Star* will be observed with regret by tens of thousands of people. Personal sympathy will go to the large body of men and women whose livelihood has disappeared, and who, unfortunately, are likely to find out pretty quickly just how true was the *Star's* own statement last Christmas that prosperity is actually here, and on the very doormat. In a wider sense, readers of the *Star* will resent being again forced to contribute to the Australian-wide monopoly of the Fink press.

As a newspaper, the *Star* needs no better epitaph than that, in the teeth of the bitterest opposition from the 97-year-old *Herald*, it attracted 60,000 regular readers in two years, and incidentally (will Socialists and other monopolists please note) by its competition forced its rival to adopt a much higher standard and to give its readers a better deal than it had done in the past.

Having with these two paragraphs said our kind words about the dead, may we now be forgiven if we chuckle a little at the living—for it would surely be straining good manners to expect us to sympathise with the proprietors of the *Argus*.

In announcing that they were smothering their baby, these gentlemen gave two reasons. Continuation of publication, they said, was not justified by (1) the rate of progress in sales, and (2) the slow recognition of the value of the *Star* as a medium for advertising. As the same notice told us that the *Star* had reached a circulation "upwards of 60,000 a day," and as there are many daily newspapers in Australia and thousands in the world which carry on successfully with far smaller circulations than 60,000, and as the overhead expenses of the *Star* (through its connection with the *Argus*) would presumably be considerably less than if it had to stand on its own, it seems fair to assume that the main reason for closing down was not lack of circulation, but lack of advertis-

ing. We therefore suggest to the proprietors of the *Argus*, and of the mortal remains of the *Star*, that their notice to the public was a virtual admission that *there is no such thing as an independent daily press*; that the power of finance is now such that a newspaper cannot live and thrive as a newspaper; that its existence depends on the favours bestowed upon it by advertisers, and principally by the big national or international advertisers, nearly all of whom we see today either owned, controlled or greatly influenced by the private bankers.

We are not here making the horrible suggestion that the *Star*, from its first issue to its last, ever expounded any views other than those, which suit the private bankers. But the growth of bank-controlled monopolies has now reached the stage where, the small competitor having been gobbled up, the monopoly must begin to feed upon itself, as is already rapidly becoming evident on all sides.

Hitherto the proprietors of the *Argus* have been amongst the most ardent upholders of the financial tyranny, which has now, apart from its effect upon their pockets, struck the bitterest blow to their pride, which they have ever received. If they can read the writing on the wall, it is time they began to reflect upon the future of the *Argus* itself, and also to do a little fundamental thinking about a financial system under which one man's prosperity can be achieved only at the expense of another man's ruin—and under which the "free and independent press" has to toady for its existence to purveyors of pills and exploiters of body odours.

Death of Mr. John Edwards

A very wide circle of friends will learn with deep regret of the death of Mr. John Edwards, which occurred after a short illness at his residence, 40 Elizabeth-street, Elsternwick, Vic. Mr. Edwards, who was 74 years of age, spent most of his business life in the Victorian Civil Service, first in the Education Department and later in the Crown Law Department. At the time of his retirement from the service he held the office of Deputy Registrar-General.

The son of a well-known solicitor who was noted for his interest in dramatic art, Mr. Edwards had always a strong leaning to literature, and for some years both he and his brother (who predeceased him) wrote extensively for Melbourne *Punch*. But it was for his practical sympathy with the oppressed and the destitute that Mr. Edwards was best known. Always a champion of the under dog, he had for years been actively associated with, and a generous contributor to the movement for monetary reform. In spite of failing health for the last year or two, his figure was rarely absent from Social Credit meetings in the Melbourne metropolitan area. He was also a regular attendant at the meetings of the Goodwill Group, and, with Mrs. Edwards, was one of the earliest and most enthusiastic of the little band who were responsible for the publication of the *New Times*.

His absence will be keenly felt, and the deepest sympathy is extended to Mrs. Edwards in her loss.



WHAT NEW ZEALAND'S PRIME MINISTER IS SAYING

For the information of our readers we reprint a number of extracts from the parliamentary speeches of the Hon. M. J. Savage, Prime Minister of New Zealand, on the Address-in-Reply and the Reserve Bank Amendment Bill, as reported in mails to hand this week.

BALANCED BUDGETS.

"In the past Ministers tried to balance the budget no matter what happened to the people. After all, there is more to life than to have what appears to be a favourable balance sheet. A balance-sheet that holds tens of thousands in a state of semi-starvation doesn't look to me to be a dividend-payer so far as the people are concerned." Wellington *Dominion*, April 2.

DOUGLAS CREDIT.

"The Government has been accused of having some part of arrangement with the Douglas Credit organisation. What are they trying to do? They are trying to get for the people the things that the people produce, and who is better entitled to the things that they produce? There is room for difference of opinion as to methods, but there can be no room for any difference of opinion in this; that unless the buying power of the people is sufficient to equate production, we will never get out of the mud-hole left by the last Government. Unless the buying power is increased with increased production, what is the use of increasing production? Unless the people are prepared to pay a full economic price for New Zealand's total production, we will never get out of the difficulties we are in today. Curiously enough, people who call themselves statesmen will discuss any subject but that, and that is a subject worth discussing."

—Wellington *Evening Post*, April 2.

BENEFITS FOR THE PEOPLE

Mr. Savage said that human intelligence had got rid of the drudgery of work, and he wanted the people to get the benefit of that. It meant shorter hours and more wages for the hours that were worked. Mr. Forbes had said that the Government was going to raise the cost of living, and wanted to know what was going to happen to the overseas markets. The overseas market and the internal market had their foundations in New Zealand and not outside it, said Mr. Savage.

Reverting to the question of public works, he said that the Government had to carry out works needed to be done. He wished he could start tomorrow in pulling down the old part of Parliament Building and give reasonable facilities for members to work with. But members on the other side would say that the Government had not the money.

"We have the men, we have the timber, and a country quite capable of producing anything, but the Leader of the Opposition is worrying about the Government's financial policy," remarked Mr. Savage.

Mr. H. S. S. Kyle (Nationalist, Riccarton): "What about the Christchurch railway station?"

Mr. Savage: "Even a new station at Christchurch. I cannot understand how intelligent people put up with something that would not make a decent hen-roost." (Laughter.)

"We are going to put men to work building railway stations wherever they are needed, and we are going to build ramps over railway crossings which endanger the lives of men and women and children through lack of foresight on the part of the previous Government.

"But the whole cry is, where is the money coming from? Why cannot we use the public credit straight out for building this country? Would anyone say that when a building was finished that that was the way to perdition? It is the way to prosperity."

—The *Evening Post*, April 2

INCOMES AND PRICES

"We have to guarantee to the dairy farmers a standard of living based on the aggregate power of New Zealand to produce that standard of life," said Mr. Savage. "I see nothing difficult in that. It is only the rank and file of the people who can sustain guaranteed prices to the farmers. Unless they have incomes sufficient to sustain guaranteed prices they cannot stand. We have to protect our own economy in New Zealand, but we intend to enter into commonsense agreements with countries overseas. Our job is to maintain and to raise the standard of living."

He pointed out the need for trade within the Empire, but said that they had to start in New Zealand. They had only one foundation; the people's power to buy the equivalent of the things they were producing.

—The *Evening Post*, April 2.

INFLUENCE OF THE PRESS

Mr. Savage referred to the Press. He said he had no complaint to make. "I do not want the newspapers to agree with everything I say," he said. "There will be something wrong if they do. My friends on the other side had the Press before the election; we have the representation after the election."

—The *Evening Post*, April 2.

"WORLD PROBLEM" NONSENSE

The state of the world today was due largely to monetary factors. It was due wholly to the fact that the people were not able to buy the things they brought into existence. That was the problem facing the people of New Zealand today. He would be told later that it was a world problem, and that New Zealand could do nothing towards its solution. He would say that that was nonsense.

All that was needed in New Zealand was the good will of the people and a Government with the courage and determination to go forward. He could say without fear of contradiction that if the people only had access to the things they produced, and there was equitable distribution, they would be living in a comparative paradise.

Banking was not his job, the Prime Minister continued. The Government's job was to lay down a policy, and the banker's job was to carry out that policy. Now they were told by their friends on the opposite side of the House that they were not to be trusted to lay down a policy. Who was to be trusted? "We come here with a definite mandate," he declared. "We have only one mission: that is to make the lives of the people worth living. There are tens of thousands of people today on the absolute brink of destitution, and wealth all around them. We are entitled to think we are living in a vast mental institution."

The time has come, he added, for the establishment of a money system that would provide purchasing power that would equate the value of the people's power to produce. If they produced £100,000,000 worth of goods they ought to have £100,000,000 worth of power to buy.

The Prime Minister concluded by saying that the Government wanted to work with the bankers. It had no more intention of running the banking system from the Cabinet room than it had of going up to the Wellington hospital and performing operations on the patients. Operating was the work of surgeons and banking was the work of bankers. The Bill simply decided who were to be the masters.

—The *Evening Post*, April 4

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## "CASH COSTS NOTHING"

By R. McNAIR WILSON, in "The Burns, Philp Queensland Monthly."

"Money costs nothing." There, in three words, is the creed of Social Credit, the new system of money, which has found such great favour with the farmers of Alberta in Canada that they have literally plumped for it at their recent election.

The first time you hear that creed you are amused or angry, according to your nature.

I was amused, because I have had to work hard all my life. I knew very well that, so far as I was concerned, money had cost a great deal. It had cost energy and weariness and, often, disappointment.

Nor could I think of any case in which it had cost nothing—for even the idlest of the idle rich had fathers or grandfathers who worked hard to build up the fortunes, which they left behind them.

### POVERTY AMIDST PLENTY

Then, one day, when I had fully persuaded myself that Social Credit was sheer moonshine, I heard the statement: "If you have got the goods you must have the money."

I could discern very little sense in that, either, but it worried me. What did it mean?

Everybody was talking about "poverty amid plenty." I could see that there was plenty; obviously, then, we had got the goods but we had not got the money. And because we had not got the money the goods could not be sold—could not, that is to say, be used.

The goods were being destroyed.

I read of farmers in England who were pouring hundreds of gallons of milk down their drains, of fishermen who were throwing boatloads of herring back into the sea, of coffee-growers in Brazil who were selling coffee beans to the railways to use as fuel, of farmers in the Argentine who were slaughtering their calves and leaving their bodies to rot in the fields. And so on.

And all for want of money.

It was nonsense, surely, in such circumstances, to say that if you had the goods you must have the money?

### WHAT IS INFLATION?

Then another question presented itself: Where does money come from?

It is strange—but I had lived more than forty years in this world before I ever thought of asking myself that question. I was forced to confess that I did not know. I did not know how a sixpence begins its career in our markets and pockets.

I began to try to find out.

It was clear that money does not grow in our gardens or in the farmers' fields. It is made by men. On what principles did these men make it? How did they know what was the right amount to make?

I looked at a paper pound note. It was just a piece of coloured

paper. I was told that 1000 of these notes could be printed for about 5/-.

In that sense, therefore, money did cost nothing.

Why not print some more notes and let us use the goods that were being wasted?

When I asked that question of an expert he showed the greatest indignation and there came pouring from his mouth a torrent of big words, most of which I had never heard before.

One word was repeated again and again—namely, inflation. It would be inflation, this expert said, to print any more money.

"What is inflation?" I asked.

"Having too much money."

"But we have too little money."

I got no reply. After years of hard work, however, I found out that "inflation" does not mean having too much money; it means trying to get money when the masters and monopolists of that precious paper are unwilling, for any reason, to issue it.

### NO HOPE FOR WORLD UNTIL ----

And I found that money is made by private people and not, as I had supposed, by Governments. The making of it is a monopoly like the making of some patent food.

These private people make the money for the whole world. If Governments want money they have, therefore, to borrow it from the private makers.

That discovery changed my whole outlook on men and things. I have never been the same man since.

Because I now see that there is no hope for the world until the nations have got back from the money-ring the power to create money. Major Douglas, the author of "Social Credit," opened my eyes to this truth.

Social Credit is another name for the power to create money.

## In Prosperous Britain—

(Note. —We are indebted for these recent newspaper reports, not to Mr. R. G. Menzies, but to *Social Credit*. —Ed. N.T.)

The coastguard service has suffered in recent economy campaigns. It is feared that the lives of many seamen are being needlessly sacrificed along Britain's coasts. "It is a choice between lives and money. If the fears are proved true, then it means that seamen's lives are being sacrificed to economy."—*Daily Mirror*. February 7.

A survey of 257,421 houses in Glasgow showed 10,442 families living more than one family per room. . Sixty per cent, of the working class were found to be living in one or two apartments. Seventy thousand houses are needed to alleviate overcrowding, but 6000 is the maximum that can be built yearly. —*Daily Worker*. February 6, 1936

"I had made up my mind, rather than go through another seven years of misery, I would spend the remaining years of my life in gaol," said a 68-year-old man, given three years for forging P.O. Savings Bank books. —*Evening News*. February 4.

Unemployment in building trade increasing. In 1933—179,778; in 1934—164,989; in 1935—239,558. —*Morning Post*, February 4.

Mr. Registrar Friend said to a mother with 13 children and 54/6 per week: "If I had my hat on I would take it off to you. I don't know how you do it."—*Evening News*, February 4.

## LETTERS TO THE EDITOR

### "WOOL-OH."

Under this heading, the "Age," of April 14, in the Sydney Notes, reports the proposal of the N.S.W. Graziers' Association to spend £500,000 in a five years' publicity campaign to increase the use of wool. The "Age" quite agrees with the idea, which it compares with soap advertising campaigns. Naturally, the newspaper would be strongly in favour of advertising anything. Advertisements are much more profitable copy than leading articles and news reports. They are usually more interesting to read, too.

What the "Age" omits to stress is that we would all use more wool if our incomes would permit. The abstaining from the use of wool is an effect—not a cause of a problem. Producing wool is one function of society, while producing money is another. Anyone with a paddock and a sheep can become a wool producer, but anyone with a supply of paper and ink cannot produce money. The exchangeability of the wool and the capacity of the people to get it depend entirely on the action of the producer of money. The production of money—the sole ticket of exchange in our economic system—is a right, which has been filched from the people by a small monopolistic gang. Upon the will of this gang depends the standard of living of every Australian.

We would expect the "Age," with the noise of the "Star" crash still echoing around its ears, to interest itself, at this stage, in dragging the wool off the eyes of the people and showing them the way towards permanently solving their problems by attacking causes instead of effects.

"FLEECED."

### COULD AN AUSTRALIAN STATE START SOCIAL CREDIT?

As I started the controversy in your columns by asking the question, "Could an Australian State start Social Credit?" may I be permitted to give my views on the subject? I believe that Social Credit could be instituted in a State, provided it had the backing of the people. Assuming that a Social Credit Party were elected in Queensland, the first step, to my mind, would be to ask the people (by referendum) if they will have confidence in a bank which is backed by the whole of the resources of the State, in preference to the private banks backed by a few millions. If the electors decide to support the State Bank, then the Government should take Douglas's advice re Alberta—i.e., get control of a broadcasting station, by which they could (by medium of loud speakers on State buildings) educate the people and counteract bankers' propaganda. All State revenues would be paid in to the State Bank, including State insurance premiums, which would give the necessary cash. (Remember the Commonwealth Bank started with very little cash.) The Social Crediters would certainly transfer their accounts to the State Bank; and, after a few weeks' broadcasting, I think a large portion of the public would do likewise. Then the bank would issue financial credit. It means that when the people of Queensland want Social Credit instead of Social Debt, then they will get it. Difficult? Yes; but not impossible.

J. J. THOMSON.  
President, Freshwater Branch,  
D.C.P., North Queensland

I have read very carefully the letter published in your issue of the 27<sup>th</sup> ultimo by Mr. Vivian Pugh honorary organiser, Central Queensland District Council, Douglas Credit Party, on the subject, "Could an Australian State start Social Credit?" also your

your comments on the subject, and the opinion I have formed is that finality of constitutional right would finally hinge upon legality (i.e., costly law court procedure involving varying judicial judgments) which may or may not finally prove satisfactory, and as you invite suggestions, I beg to offer the following for consideration as a safe and sure method of sweeping away all opposition to the inauguration of Social Credit so as to make it an accomplished fact:—

(1) A conference between the Australian Labor Party and the executive chiefs of the Social Credit Party on the question of making a plank in the next Federal Elections one of licensing trading banks, and upon their agreeing to such a proposal to assure them of the Social Credit Party's support, which would assure the return of Labor at the next Federal elections.

(2) If the Labor Party would not consent to such procedure, make it a plank in their own platform for candidates seeking election in the interests of Social Credit.

My reasoning on this matter is that what is sauce for the Nationalist gander can also be made sauce for the Labor goose; therefore, if it was constitutional for the Federal Government, through their Attorney-General (Mr. R.

Some people say that Social Credit would create money that would pile up and pile up and never be cancelled. But it is an extraordinary thing that they never complain of a system under which debt piles up and piles up and is never cancelled.

—Major Douglas.

G. Menzies) to deem it fit compulsorily to license a Union of seamen holding up the general and commercial welfare of the people of the Commonwealth as a whole, how much more essential it is to compulsorily license organised financial institutions which are unconstitutionally holding up the same people by control of the assets of the Commonwealth by indirect financial methods.

Provided the present Nationalist Government can be ousted from office at the next Federal elections, it seems then to me to be a simple matter of an Act of Parliament to control the banks and bring them under the will of the people upon conditions that will be satisfactory from a general and commercial aspect by the inauguration of Social Credit, and moreover it would be a vital attack upon their present stronghold.

It should not be difficult for both the Labor Party and the Social Credit Party to see that as in things in nature, so also in the reality of life, it is a poor rule that will not work both ways.

"DOUGLAS CREDIT ADVOCATE." Cairns, N.Q.

## The Fable of the Barren Island and the Modern City

By MONTAGUE GROVER



In the Coracle.

Twenty - five years ago, a tramp steamer left Sydney for New Zealand with a dozen men on board. Time passed, and she was reported missing. More time passed and she was reported lost.

Then one day, a vessel in the Tasman Sea saw something on the horizon, and, steering towards it, picked up two men in a coracle made of sealskins.

They were strong and well fed and healthy, and so were the other ten when the vessel visited the spot where they had been shipwrecked.

For months they had lived on a rock—it would be flattery to term it a desert island—in the mid-Tasman. They had made shelters from the wreckage of the ship; they had lived on shellfish and roots, and they had enjoyed a real feast on the rare intervals when they contrived to kill a seal.

They skinned each seal they captured and, when they had accumulated sufficient skins, made the little craft, which was responsible for their rescue.

They landed in Sydney bronzed and strong and healthy, and well fed.

Within a week the public was asked to subscribe, to keep them from starvation.

On a barren rock they had contrived to obtain the bare necessities of life, if no more.

In a big city, replete with the modern machinery and all the adjuncts of civilisation, they were faced by actual want.

## Soap From Coal

A factory for the production of fatty acids from coal has been inaugurated at Witten, in the Ruhr district of Germany. The fat thus obtained is to be used for the most part in the manufacture of soap.

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—*Social Credit*.

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## NEW ZEALAND RESERVE BANK AMENDMENT BILL

### Statement by Minister of Finance

In our last issue we referred to the New Zealand Labor Government's Reserve Bank Amendment Bill, which has now passed through all stages. Details of the Bill are since to hand, and we append the statement of the Minister of Finance (the Hon. W. Nash) in introducing the Bill in the House of Representatives at Wellington on April 2.

Mr. Nash said:—

"This Bill amends the constitution and the powers of the Reserve Bank. In other words it is a measure to alter the Bank machinery to make it more suitable and more useful in giving effect to the Government's policy and generally promoting the welfare of New Zealand. The Bill in itself does not authorise the borrowing of any moneys or the expenditure of any moneys, but deals merely with the banking machinery.

"First of all, in accordance with the Government's policy the share capital is to be eliminated and the Bank made entirely a State concern. In effect the State is to buy out the shareholders, who will receive full value for their shares, either in cash or in Government stock, as they prefer. Shareholders will receive £6/5/- for each £5 share together with the accrued dividend of 5/- per share.

"The elimination of share capital involves numerous consequential alterations in the Reserve Bank Act, and all of these will be found in the Bill.

"The distinction between State directors and shareholders' directors is abolished, but the present personnel of the board is to be retained, but the directors (other than the Governor and Deputy Governor) will hold office during the pleasure of the Governor-General in Council and in any case will retire in rotation on the same dates as fixed in the principal Act.

"Future appointments to the board will be made by the Governor-General in Council. The Governor and Deputy Governor, however, continue in office in accordance with the terms of the original appointment—i.e., for a period of seven years from 1934. Future appointments to the Governorship will be made on similar terms, as this part of the original Act is not being amended.

#### FUNCTIONS OF THE BANK

"Concerning the powers of the Bank the first and most important alteration is a restatement of the general function of the Bank, which are widened and made more specific. To this end section 12 of the principal Act is repealed and the following declaration of policy substituted for it:—

10. (1) It shall be the general

function of the Reserve Bank, within the limits of its powers, to give effect as far as may be to the monetary policy of the Government, as communicated to it from time to time by the Minister of Finance. For this purpose, and to the end that the economic and social welfare of New Zealand may be promoted and maintained, the Bank shall regulate and control credit and currency in New Zealand, the transfer of moneys to or from New Zealand, and the disposal of moneys that are derived from the sale of any New Zealand products and for the time being are held overseas.

"Power is taken to make regulations to enable the Bank to fulfill its functions as stated, but the extent to which it may be found necessary to use this power depends upon the course of events. Generally, they are only reserve powers for use in meeting contingencies that may arise.

"Following this the classes of business that may be undertaken

"IF ----"

"My Government, when in office last year, appealed to municipalities to supply certain information; but they did not. I can say that if I had the opportunity again I would pass legislation making it compulsory for the local authorities to survey their districts to ascertain the amount, if any, of overcrowding and of hygienic conditions of all areas under their control. A report would then have to be made to a housing commission. Then we could see what should be done and how far we could go with the finance at our disposal."

—Sir S. Argyle, April 8.

And after all that?

by the Bank have been widened in several directions, the most important being:—

"(a) By removing the present limitation upon the amount of Government securities that may be purchased by the Bank.

"(b) By providing on the authority of the Governor-General in Council that the Bank may underwrite any loan proposed to be raised by the New Zealand Government.

"(c) By empowering the Bank to grant accommodation by way of overdraft to the Government or to any board or other authority having statutory powers in relation to the marketing of New Zealand produce for the purpose of financing the purchase and marketing of such produce.

"(d) By increasing the limit of the amount that may be borrowed from the Bank on the security of Treasury bills to the amount of the revenue or estimated revenue of

the Consolidated Fund. The present limitation is one-half of such revenue.

"Other clauses provide for the control of sterling exchange and variation of trading bank reserves with the Reserve Bank.

"These are the principal alterations to be effected by this Bill. There are other amendments, but they are generally of a minor or machinery nature, which can best be dealt with after honourable members have studied the Bill."

### The Terrible Turk

One by one (says *Social Credit* in its issue of March 6) foreign markets are contracting. Turkey is now going ahead with her economic development. Two railways, built at a cost of over £4,000,000, to serve mining areas, have been opened, while a number of factories, which cost an equivalent sum, have been either finished or founded.

The first of these two railways runs up to the Black Sea coal basin of Zoungouldal. A further sum of £800,000 is being spent on laying additional lines through the coal-fields and providing modern mechanical transport facilities from the pitheads. The output of coal in Turkey has expanded considerably of late and has led to coal exports on a fairly big scale. These new railway developments are expected to speed matters up.

The second railway opened is in Central Anatolia. It taps the Ergari State copper mine and a new chromium mine, which has been discovered.

Of the factories one is to manufacture Kamgara wool at Brusa. It will begin working in 1937 and will produce 3,000,000 kilos a year. Another is to produce rayon at Ghemlik. This will have an annual output of 300,000 kilos, which is enough for home consumption. The first bottle and glass factory has been inaugurated at Pashabaghtche, while in two months' time the first paper and cardboard factory in Turkey, costing £500,000 will be working at Ysmid.

The struggle for foreign markets gets keener as the markets contract and the production increases. This is the cause of war, and "sound finance" intensifies it.

### Why Leave Prison?

The Rev. John Cawley, formerly Chaplain of Dartmoor Prison, has been saying that imprisonment is no longer a deterrent for a good many men. The reason is that conditions are much more pleasant inside and much more unpleasant outside.

Inside Dartmoor a prisoner is the object of general solicitude. If he loses weight, he is fed on special diet until he picks up again. He is given only five hours' work a day, which, Mr. Cawley says, is hardly enough to keep him in training for the industrial work he will have to do in the outside world. And if he has any sort of grievance he has the right to demand a personal interview with the governor.

Many old timers no longer feel any deprivation of liberty. "And in any case," says Mr. Cawley, "how much liberty would they have if they were released?"

The consequence is that a good many are no sooner discharged than they take steps to get sent back again. It is the same in Pentonville Prison. Quite a number of "old lags" make it their winter quarters.

—*Social Credit*, March 6.

#### "MR. LYONS SAID-----"

Mr. Lyons said that the secondary industries of Australia were never in a more healthy or wealthy condition than they were today... "The industries of Australia may not be making the same rate of profits that they enjoyed in the more opulent period, but they are undoubtedly more efficient," Mr. Lyons said.

—"*Argus*," April 9.

## WOMEN AND WAR

By LEONORA POLKINGHORNE.

A *New Times* reader asked the other day where all these poor down-trodden women were, as he could see no evidence of these victims of man's tyranny. I am afraid that this gentleman reads his *New Times* upside down. The object of these articles is to point out (what surely no one can deny) that the women of the Western world occupy an economic position that falls short of human equality, and is therefore detrimental to the race, to civilisation, to culture. For this condition the average man is no more responsible than the man in the moon. He himself is a victim, though he seldom realises it. To assume that there is nothing wrong because the victims are not sitting on the kerbstone putting ashes on their heads and wailing is to overlook the human faculty for making the best of things. No one could say that the children of the slums are enjoying ideal conditions of living, and yet they trundle their hoops, and play, and shriek with laughter just the same as the others. Neither does the period of slavery in the United States leave us much evidence of revolt and misery, but rather it has come down to us picturesquely represented in banjo songs and dances—the only record of sorrow in song telling us how "all de darkies am a-weeping, 'cause Massa's in de cold, cold ground."

Nor would any Social Creditor admit that present economic conditions are less than deplorable, and often tragic, yet people still laugh and attend football matches, pictures and dances. Let us not, therefore, allow ourselves to be sidetracked from the main issue, which is to realise the thoroughly unsatisfactory nature of the financial system under which we suffer—a system that is no good to anyone but the financial hierarchy, but which is particularly oppressive to women. Most of all is this so because of its inevitable tendency towards war, of which we are having ample proof at present.

#### IF WOMEN HAD AN EQUAL SHARE

At the risk of being still further misunderstood, I will ask whether, if women had had an equal share in government with men, war would have been so constantly possible as it has been. Neither this nor any other suggestion attempts to hint at the superior excellence of either sex. Men and women are different, that's all, but it is this very essential difference that makes their collaboration so important. It will surely be admitted that nothing could be more abhorrent to woman than the needless slaughter of her children. She knows how much they cost! Or can anyone suppose that if women had had a hand in framing an economic system, they would have upheld and persisted in it when it meant the starving of a million babies? Are those men sitting round council tables at economic conferences unbearably harassed by the thought of those undernourished infants? No; but the women would be. They just couldn't stand it.

The nature of man is aggressive, competitive and combative. Usually this is worked off in the football field, more or less harmlessly, and one has only to observe the antics of M. Flandin and Herr Hitler at the present moment to wish heartily that they would take to football.

#### MAN'S MIND ON GREATER THINGS.

But who would attempt to minimise the greatness of man's victory over Nature? What an astounding world he has built up! The conquest of earth and air and sea are a mere circumstance to him. How we admire his cleverness, his daring, his perpetual adventures into new marvels of achievement! True, we may wonder occasionally why the cupboard doors he fashions won't

keep shut, why the drawers stick, why his taps drip and cisterns get out of order, but we realise that his mind is mostly on greater things.

But, alas! he does not seem to know that what this world needs even more than aeroplanes is pity and love. And that is why all the triumphs of science seem in this crisis to concentrate mainly on fiendishly ingenious weapons of destruction. Can anyone imagine a woman inventing poison gas? Yet to the logical mind of man there is nothing amiss with the idea. We must go to war, mustn't we? And if we do, we have to win, haven't we? Q.E.D.

#### HOW WOMEN CAN STOP WAR.

Women, therefore, not being in a position to deal with those things that make war, and hence not being able to prevent it, are reduced in war time to alleviating its horrors with that pity and sympathy which would have been so useful in preventing it had their co-operation been sought. They knit socks, and dress wounds, and carry on those public services which men have been forced to vacate, write comforting letters and send surprise parcels to the front.

But in these days, another task awaits them. There is a way in which they can help to prevent war, and that is by throwing their whole weight behind those economic reforms that will make war unnecessary.

#### "OUR HONOUR."

We are told that wars are caused by injuries to some country's prestige. A very sacred thing, this prestige, a very Moloch, since the flower of our manhood must be sacrificed to it—to say nothing of all the other black horrors with which we are all too familiar. But does the ordinary man going about his work really care so very much for this prestige business? Who makes all the fuss about "our honour"? Is it not just a few men at the top, who themselves never see the fighting line? No, "prestige" alone would never send men by the million to the slaughter, but the ghastly uncertainty of tomorrow's bread does. When a man dons uniform, he is at least sure of clothes, food and money for his family. To a man economically secure, modern warfare has no appeal.

Nor can we imagine that even our present-day statesmen would contemplate war were it not for almost impossible conditions that face them at home. Unemployment (which means in our crazy times unemployment), glutted markets, international irritation caused by tariff barriers, abundant production and not nearly enough money to shift it, a growing discontent with poverty conditions among the mass of the people, increasing debt and unbalanced budgets—these by comparison make the horrors of war almost pale, especially when one gets them only by hearsay.

Let every woman consider what power she still may exercise by joining in the demand for the abolition of poverty, and with it all those other nightmares, which we now suffer, of which the greatest and most sinister is the constant threat of war.

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# TAXATION

By BRUCE H BROWN

## I. —THE SIGN OF SERVITUDE.

If we may accept what the Melbourne *Herald* says, electors have at last become decidedly tax conscious. Unfortunately it frequently happens that what the *Herald* says tonight has to be modified tomorrow, and consequently it is dangerous to place too much reliance on its statements. On this particular occasion (31/3/36) it was giving prominence to the utterances of certain gentlemen who had met at an interstate conference of taxpayers, and the reports were put up to give the impression that they were speaking for the electors in general. Their very words, however, showed them to be a group of men concerned mainly with the interests of the people whose activities and ideals have got the community into such a mess, and therefore the least fitted of all to represent the community view. Ignorance of money is their stumbling block.

Before this great conference assembled there was a specially stage-managed deputation to the Prime Minister urging a reduction in Federal taxation. The Melbourne Chamber of Commerce was the active agent in this and had been preparing for it since last September. The press of 19-9-'35 informed us as follows:—

"With the object of seeking means of bringing about a reduction of Federal taxation, a representative gathering of businessmen attended a conference called by the Melbourne Chamber of Commerce yesterday. Mr. Relph said that the Chamber was willing to do all it could to assist in a substantial effort toward lower taxes."

The names of 21 organisations were given as having been "represented" at the conference and the following resolution was passed:—

"That this conference of representative business and trade associations of Melbourne is seized with the urgent need for a reduction of Federal expenditure, and, having regard to the fact that much of the existing taxation was imposed to meet emergency requirements and that Federal expenditure is increasing, calls upon the Government to give immediate consideration to a reduction of taxation."

After the meeting, it was decided that Mr. Relph should form a special committee "to prepare a case" for presentation to the Prime Minister.

### The Significant Points.

If we glance over all that again we will find these significant things:—(a) That the conference was called by the Chamber of Commerce; (b) that this body sanctimoniously declared its readiness to "do all it could" to secure a reduction in taxation; (c) that 21 supposedly representative business organisations professed surprise that expenditure was increasing and declared that it should be reduced; and (d) that "after the meeting" Mr. Ralph was "appointed" to prepare a case.

As to (a), the Chamber of Commerce is actively defending and definitely supporting the existing private manufacture of money, and in calling the conference had only one object in view—viz., to secure taxation relief for its specially privileged members through less government expenditure and an inevitably lower standard of living for the great majority of our people.

As to (b), in view of its attachment to, and direct support of the existing financial swindle under which figures in books are regarded as a commodity like food, there could be no sincerity behind the statement that it would do all it could, for it ranges itself in opposition to monetary reform and resolutely refuses to see money other than as a commodity controlling all other commodities, and, while that belief continues to hold sway, relief from taxation is impossible.

As to (c), when businessmen express surprise that expenditure increases when business expands, it suggests that the mentality of our "business" men has reached a deplorably low level; and in view of the fact that none of us can get incomes unless other people spend, the plea for a reduction of expenditure is a plea for smaller incomes and shows an appalling lack of business intelligence, seeing that restricted government expenditure reduces their ability to recoup their business costs.

As to (d), is it their usual practice to make appointments "after the meeting," and is that how all these so-called representatives were selected?

### A Letter to the Association

Arising out of that September conference, a letter was sent to each of the associations represented, containing the following:—

"Reference to official publications will show that when government expenditure was reduced between 1930 and 1932, bankruptcies increased by more than 100 per cent, suicides increased from 700 to 900, unemployment increased from 14 per cent, to 30 per cent, marriages declined from 7.5 per thousand to per thousand, and poverty, misery and destitution spread in all directions. When government expenditure was resumed, it had the immediate effect of improving all these things. I, therefore, respectfully submit to you that unless additional money is being circulated in the community from government sources it is not possible for industry to survive, because otherwise there is no fund from which interest and profit can be drawn. In these circumstances may I suggest for your earnest consideration that instead of agitating for a reduction of government expenditure you should be demanding a change of method by which governments obtain money to spend."

Only three of the organisations acknowledged the letter.

### Taxation and Interest

Since then there has been quite an outcry against the heavy taxation, but not one of the wealthy people who have taken part in the squeal has said a word about the actual cause of the high taxation. Have a careful browse through the following figures, giving the revenue received by all the governments for the year 1933-34:—

Income Tax .....	£18,086,566.
Land Tax .....	2,853,616
Estate Duties ..	5,182,180
Sales Tax .....	8,695,689
Unemployment Tax.....	9,280,943
Motor Car Tax.....	4,563,047
Entertainments Tax.....	482,334

£49,144,375

In the same year we paid out £49,299,637 in interest on the Public Debt, and it all went to one small section of society. You can see at once that if it were not for the fraud of this public debt we could abolish all those taxes and still be a hundred and fifty thousand to the good. We should always bear in mind that this debt is fictitious; it consists entirely of bank-created credit money. The small percentage of savings included is simply this same bank-created money only one step removed. But these great businessmen never allow themselves to think of that. If they realised that that huge interest bill is for privately manufactured money, consisting wholly of figures in books written up against the community by the private banking system at practically no cost to itself, they would wake up to the fact that our taxation machine, paid for by the community, is merely the extortion department of the banking system, and would soon adopt a method of attack that would meet with far greater success.

### What Real Business Men Say.

Fortunately, there are real businessmen in some of the Chambers of Commerce. Read the conclusions of the Southampton Chamber, as follows:—

"Thus, from whatever angle it is viewed, we have the situation of widespread industrial trade stagnation with producers capable of production and millions in want of the very things which can be produced in abundance. In the *prima facie* evidence, the fault in the economic system lies in the machinery responsible for the transfer of the goods from productive industry to individuals of the community. This link between production and consumption is money. In order that it should function smoothly the quantity of money should always be sufficient to provide the community with purchasing power to have access to the goods available. As the creation of money by the banking system can be effected as and for any purpose they consider desirable, it would seem that a power *nothing less than the control of the entire economic activity of the nation is vested in a private monopoly.*"

Two statements by the chairman of the Midland Bank Ltd. (the largest trading bank in the world) show clearly that the Southampton Chamber is right. In 1932 he said: "The Bank of England, and no other power in heaven above or earth beneath, is the ultimate arbiter of what our supply of money shall be." He also said: "The regular expansion of money supplies, which *must* be undertaken if trade is to be active and the price level stable, has not been permitted. As a consequence British prices, and with them the level of prices, have tended steadily downward." And the Australian banks fall into line with the policy of the Bank of England, to which Sir Claude Reading is now on his way for "consultation"! The people of the British Empire are in the doldrums because a private corporation will not "permit" them to get out. The people of the same Empire are heavily taxed because the same private corporation writes up all money as debt to itself! But the "representative" businessmen are still asleep in these matters.

### The "Democratic" Sales Tax

When should the dissembler be excused? In the *Argus* of 6-2-'36 Mr. Relph is reported to have said this:—

"There is one thing that stands out more prominently than anything else in this campaign, and that is the intense desire in almost all quarters for the speedy reduction or abolition of the sales tax. I feel certain that if we are to get the full support of the public and of business people generally we must place the sales tax in the forefront in our demand for tax reduction."

He was said to be speaking then for 29 associations. Now compare his brave and solicitous words with the attitude of the conference of Associated Chambers of Commerce at Adelaide on 26-3-'36. At that conference it was claimed that the incidence of sales tax was democratic, and, consequently, that it was more desirable to seek reduction in other forms of taxation rather than to interfere with the present rate of sales tax. The conference agreed with that contention and decided to urge the Federal Government to curtail expenditure and reduce taxation on the people who are in the best position to pay. How can any tax be democratic when taxing originated as a demand by the conqueror (the ruler) from the conquered (the serfs)? "Democratic" denotes rule and rulers do not tax themselves.

You see how magnanimous these fellows really are in the interests of democracy. They would gladly keep more in their own bulging pockets so that the 80 percent of the people whose income is already less than £4 a week might be forced to do with even less. It certainly would not take much of this behaviour to make the electors tax-conscious in reality. And to think that these bogus representatives have the cheek

to ask relief for themselves by imposing further hardship on the breadwinners of Australia through a repetition of the 1931 insanity! When the monster deputation waited on Mr. Lyons on the 4th March we got a very poor report of their "case" in the press, and so a letter was sent to the Prime Minister asking for a copy of the notes taken by the stenographer. A reply was received, dated the 9th March, intimating that the request could not be acceded to. So we are not able to inform you what sort of a case Mr. Relph and his committee submitted. Did someone say something about democracy?

### Mr. Tulloh's Views

Leslie W. Tulloh is secretary of the Victorian Master Ironmongers' Association (one of the bodies "represented" on the deputation referred to) and has had quite a lot of letters in the press lately agitating for tax reductions. One of these appeared on the very day of the deputation and finished with these Stirling words: "Have we no public men sufficiently courageous to deal with the problem? Sheltering behind inescapable expenditure most certainly will not." But all the courage in the world will not make money grow on potatoes or place our people in the position to patronise our shops unless they are first supplied with the necessary purchasing power. Mr. Tulloh and his associates are asking governments to spend less, in the apparent belief that as governments spend what they collect from the people it would be better to leave the money with the people and allow them to spend it as they see fit. That, however, is quite a mistaken idea, as we shall show later. Money received from taxation is not all redistributed by governments so that it can become effective purchasing power in the hands of the people, but a large portion of it goes away to be cancelled. The fact is that if the governments do what these taxation squealers ask them to do the people will be able to buy less and the businessman will be in for a worse experience than he had in 1930 and 1931. Is it a coincidence, or is there something sinister in the fact that these taxation "representatives" are advocating almost exactly what the private banks advocated in 1932? In May of that year, the Bank of New South Wales circulated the following:—

"It is evident that no proposal for further borrowing will be approved unless it is accompanied by definite indications that the governments are doing all things necessary to reduce their expenditures in keeping with the condition of the time. This would involve a reduction in their establishments, with consequent additions to unemployment, but the problem of resultant unemployment is secondary, . . ."

It has already been shown that when governments actually did as these "representatives" are now again asking, bankruptcies and unemployment increased alarmingly; but since government spending was resumed in 1932 bankruptcies have gone back to normal and the unemployment position is not nearly so acute. Clearly, there is nothing wrong with government spending at all, unless it be in the annual payment of thousands of pounds to knighted commissioners, consultants, etc., such as Sir Herbert Gepp, who are doing nothing to enlighten the people on the all-important subject of money. The only trouble about government spending is that the governments depend for their spending money on what they can take from our pockets by way of taxation; or obtain through the Loan Council as debt to the private banking system, whereas the very increase in our National Debt proves that the regular circulation of new money is essential. If the government itself issued this new money as the people's property instead of borrowing it as debt to the banks, the taxation relief we are all seeking would quickly eventuate.

### Sir Wm. Brunton's Oration

How inspiring it is that so many of our noble knights also show evidence of confused thinking! The *Herald* of 26-3-'36, for example, gave us a photograph of Sir Wm. Brunton, who had that day delivered the annual report to the shareholders of London Stores. In the course of his remarks he said: "Government expenditure is increasing instead of decreasing, notwithstanding the general improvement in trade throughout the Commonwealth." Was he really serious when he said that expenditure should become less as the community expands? Does not an improvement in trade automatically bring additional burdens on the Government sources? And how can trade possibly improve unless more money is being spent?

### Another Article from Mr. Casey

Then, to cap it all, Mr. Casey wrote another of his special articles for the press purporting to explain why reduction of taxation "was not possible." All that it did, however, was to emphasise the paramount need for a revision of the money system. Many of us believe it is improper for Mr. Casey to hold office as a member of the Government because of his beneficial interest in the existing financial system, and also that it is improper for any Minister of the Crown to be a party to the borrowing of privately-manufactured money for government purposes. The private manufacture of money should be entirely prohibited, but instead of doing this the Government not only allows more than 90 per cent, of the money in every-day use to be created by the banking system as its own property, but actually "borrows" money of that kind and loads the community with an ever-increasing burden of taxation to meet the fraudulent and recurring charges for interest on it.

And yet this vital thing never seems to enter the mind of these "representative" taxpayers, businessmen and titled company directors. No, they are swept off their balance by the crocodile tears of interested defenders of the existing money swindle who seem

(Continued on page 8, column 3)

# CAPITAL AND INCOME

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

(Continued from our last issue.)

(10)

## BANKS DO NOT LEND THEIR DEPOSITS.

In related banking areas there is established for a point of time records of depositors' debits and credits (reciprocally bank credits, loans, assets and bank debits, deposits, liabilities), which constitute a balance of the areas. In related competitive banking areas it is necessary for banking business to proceed correspondingly step by step, as far as possible, for, otherwise, a particular bank might find standing against it at the end of a computing period a considerable balance in favour of another competitive bank. Consequently, banks tend more and more to become amalgamated or "associated," the latter having been recently styled "a gentlemen's agreement."

Bank deposits standing to the credit of depositors are bank liabilities, and, consequently, banks cannot lend their deposits. When banks lend money they do not decrease any depositor's deposit; on the contrary, they increase the flow of deposits to the banks and increase standing deposits to the extent that potential income arising from the new loan is capitalised or reserved for future spending. The recall—not the issue—of bank loans decreases bank deposits, as does also sale by banks of securities on the open market. To repay a loan to a bank or buy securities from a bank deposits are withdrawn and the sum of deposits in banks decreased. A loan from a bank originates from a new creation of credit and is not an issue of depositors' money. A bank loan must be carefully distinguished from a private loan. The latter is only a transfer of existing capital. A banker who attempts to suggest that he lends his depositors' money makes statements not consonant with fact, and contrary to the rigid canons of his practice. Reputable bankers, envious of their ethical integrity, have never attempted to make such a suggestion and their classical recordings bear witness to the honesty of their purpose.

A question in this form is sometimes propounded: "If banks create liabilities against themselves by accepting deposits, why do they accept deposits, and, in some instances, pay interest on them?" The chief reasons why banks accept deposits are as follow:—

1. It enables banks to recover currency, which forms the basis for further credit loans.
2. It enables bankers to control the money market and determine rates of interest and discount.
3. It establishes banking "intelligence," giving decisory knowledge of the financial standing of individuals, groups of individuals, and subsidiary financial agencies, such as insurance corporations, trustee companies, stock exchanges, and discount and acceptance houses.
4. It enables banks, by accepting fixed deposits, with interest inducement, to limit the extent of their current liabilities.

There are other reasons, involving matters of policy rather than matters of practice, which need not be detailed here. These reasons have been summarised by Mr. Reginald McKenna, who stated: "And they who control the credit of a nation, direct the policy of Governments, and hold in the hollow of their hands the destiny of the people." Lest this be considered an isolated opinion, Dr. Walter Leaf's statement to the International Chamber of Commerce is given. Dr. Leaf said: "The Banker is the final arbiter of the World's Economy." ("The Times," June 19, 1921.) This dictum was confirmed by the "Financial Times," September 20, 1921, when, in a burst of irate candour in criticism of Mr. Lloyd George, Prime Minister, it published: "Does he, and do his colleagues, realise that half a dozen men at the top of the big five banks could upset the whole fabric of Government finance by refraining from renewing Treasury Bills?"

The outstanding defect in banking as it now exists resides in the power of banks to create capital, with the necessity to cancel it prematurely, in relation to the rate of consumption of capital goods produced by the agency of the credit. This premature cancellation of credit is not usually a willful destruction of needed money, but a condition imposed by the requirements of existing banking practice. The ability to create capital and determine the course and method of its use gives to bankers immense power, which needs social control. In Australia, about 80 individuals control key industries and banking, with the directorates directly or indirectly interlocked. The effects have become obvious to interested observers and we see a concentration of industrial and credit control with lineal associations, and patronage and preferment spreading into all spheres of social and political administration. This constitutes a danger, the possible effects of which cannot be estimated for the future assurance of a stable and efficiently cooperative society.

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## ACCOUNTANCY

Accountancy, like graphic delineation, is two-dimensional art, which attempts to portray the realities of a three-dimensional world. It records

two sets of reciprocal money values; and cost accountancy records costs in terms of money value with human value left out. Within the limits of accountancy an accountant is unable to define the significance of money. Ask an accountant to deal with the following hypothetical data within the limits of his art:—

A sum of £1000 is borrowed from a bank and used for the erection of a factory. The £1000 is distributed to those taking part in the erection. The possessor of the factory floats a company and sells 1000 one-pound shares and takes back £1000 with which he makes payment to the bank to redeem his loan.

The accounted result would show in existence:

1. Real wealth (the factory) valued at £1000.
2. Claims to wealth (the shares) valued at £1000.
3. Equivalent money—nil.

From the society here represented the medium of exchange has entirely disappeared. Claims to wealth could be bartered for real wealth indefinitely, but there is no income to enable the consumption of wealth. This condition, as far as accountancy is concerned, is deemed to be satisfactory, and it illustrates in effect the financial history of the formation of joint-stock companies. The nineteenth century and the past part of the twentieth have witnessed an enormous growth of joint-stock companies. To estimate our capacity to produce and consume we must keep tally of every financial-economic cycle.

To found a true accountancy we must introduce a third dimension. In the foregoing example we should be able to envisage a debit on the human side, necessitating in the cycle a corresponding credit, which might be a reflection of the potentialities of the factory as something apart from the material embodied in the factory. Those potentialities have come from social co-operation (the increment of association), and have become inherent in a complex-producing mechanism as a result accruing from the endowments of a social heritage.

Here, again, King Charles's head must be exhibited. Under the present system we actually capitalise those existing potentialities, but the capital is created on behalf of private ownership for new production and is not justly and effectively created on behalf of social ownership for consumption (depreciation costs) as an essential factor in an existing financial-economic cycle. Under the ideal accountancy envisaged above all new credit would be created in relation to new production—not in relation to past production—in order to help make every production-consumption cycle complete and self-liquidating. Our leading institutions do not lend on material production realised, but on the capacity to produce at a profit. They, when lending, take liens over fixed assets but they actually monetise potentialities which embrace the willingness for social co-operation and the use of endowments of the social heritage.

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## HOW THE FINANCIAL SYSTEM OPERATES.

To begin to understand how the present financial system operates we must first envisage a financial system starting under existing conditions and subject to changes in its fundamental elements. In the following illustration arbitrary numerical units of value have been used, but the results would not differ in their significance if other numerical units had been used. The illustration involves issues of credit and the investment of savings in production, and the first stage is given in two parts to include both financial mechanisms. In this stage it is assumed that capital costs have not entered, for we are witnessing the establishment of capital (bank deposits) and fixed capital (capital goods), and, consequently, as yet, all money has been distributed as potential income (labour cost). The terms applied and the changes implied should be evident from an understanding of previous sections. The items have been lettered for facility of reference.

PART 1.			
A. Credit issued =1600	B. Cost of production =1600	D. Saving and profit capitalised =800	F. Uncancelled credit =800
	C. Potential income =1600		G. Unconsumed goods =800
		E. Income spent =800	H. Bank deposits =800
			I. Cancelled credit =800
			J. Consumed goods =800
PART 2.			
Bank deposits invested (H) =800	L. Cost of production =2400	N. Saving and profit capitalised =1200	P. Uncancelled credit =1200
K. Credit issued =1600	M. Potential income =2400		Q. Unconsumed goods =1200
		O. Income spent =1200	R. Bank deposits =1200
			S. Cancelled credit =1200
			T. Consumed goods =1200
SUMMARY.			
Credit issued (A.K.) =3200	Bank deposits (R) (Bank liabilities) =1200	Goods produced (B.L.) =4000	
Credit cancelled (I.S.) =2000		Goods consumed (J.T.) =2000	
Credit uncancelled (F.P.—H.) (Bank loans and assets) =1200		Goods Unconsumed (G.Q.) =2000	

This illustration shows:—

1. Bank assets balanced by bank deposits (Cf. Sec. 10.)
2. Unconsumed goods on the market corresponding in value to savings and profit capitalised. (Cf. Sec. 7.)
3. That profit cannot be acquired except at the cost of an equivalent loss (unconsumed goods).
4. A lack of income to consume goods and finally extinguish cost. Note that bank deposits, 1200, constitute capital—not income. (Cf. Sec 3.)
5. That increased production and investment of saving cannot overcome the lack of income. (Cf. Part 2 of illustration, where savings and profits are invested and production increased from 1600 units to 2400 units.)
- 6 The nature of a capital cost. (Cf. Sec. 14.)

Again note that the 1200 units of bank deposits constitute capital, which could be used to purchase, out of the 2000 units of unconsumed goods, 1200 units on capital account for production or retail sale. The 1200 units of capital transferred in the purchase would restore part or whole of the 800 invested units of part 2, and cancel part of the 1200 units of bank loans; or would restore none of the 800 units and cancel the whole of the units of bank loans. In either case 1200 units of goods unaccompanied by income would go forward and generate equivalent costs in the next stage of production. Income to meet the capital costs of those goods could only be derived from subsequent production, which would include capital costs (non income), plus labour costs (potential income), as minimum requirements of costs.

Without considering the effects of further capitalisation of savings and profits it should be seen how the costs, and unrecovered costs, of industry must be ever-increasing, with the result that piling up of unsold goods becomes cumulative. This inevitable result brings about a condition which has been designated "over-production" and which is characterised by a period when goods appear to be redundant, when bank deposits and unredeemed bank loans have accumulated to, or beyond, the safe limit, and when consumption decreases relatively to production. On the surface the period presents the similitude of extreme luxury on the one hand accompanied by actual, acute poverty on the other hand. History has told on many occasions that these are the premonitory signs before the crash; the crash today being deferred by specious advertisement and propaganda, and the widespread increase of term selling. The co-existence of apparent luxury and dire poverty engenders the fallacious and futile belief that if incomes were more equitably distributed all would be well. The same futile belief finds its expression in an imposition of increased direct and indirect taxation.

In the past the position has been palliated by bankruptcy, writing down of capital, losses of invested capital, and sale of goods below cost. Governmental borrowing has seemed to afford temporary relief, but has resulted in making the condition worse. A reversal of any or all of these means and policies cannot correct the effects of the fundamental defects in the operation of the existing financial system.

(To be concluded.)

## TAXATION.

(Continued from page 7.)

always to take a prominent part in these anti-tax meetings.

### Cohen and Niemeyer.

For example, these poor taxpayers who have been squealing so much about their crushing burdens gave a luncheon at Scott's Hotel on April 1st, and the guests included Sir Ernest Wreford, a bank director, and Colonel Cohen, son of the late Montagu Cohen, one of the magnates of the Banking, Broken Hill and Liquor Combines. All these indigent taxpayers listened enchanted to Colonel Cohen speak in praise of Sir Otto Niemeyer. Sir Otto, you will recollect, is the peacemaker-warmonger, representing International Finance, who visited several countries after 1929 at the direction of the Governor of the Bank of England (publicly referred to as "Wall Street's deflation agent"), and brought about a serious curtailment of the quantity of money in circulation wherever he went, thus robbing the people of the benefits of their production. When the combine agent remarked to his appropriate listeners "much has been said about banking and interest rates," the "representatives" of the struggling taxpayers obligingly cried, "Far too much!"

Leslie W. Tulloh, the tax-reduction press agitator, who says nothing at all against the swindle by which the sovereign government taxes and borrows what it alone has the legal power to create, was also mentioned as one of the important people at the luncheon. As a tax reducer, however, he was in the company of the beneficiaries of the taxing swindle, perhaps without knowing it.

(To be continued.)

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