

THE NEW TIMES

Registered at the G.P.O., Melbourne for transmission by Post as a Newspaper.

VOLUME 16, No. 14.

MELBOURNE, FRIDAY, APRIL 7, 1950.

SIXPENCE WEEKLY

Sham Fight on Banking Bill Menzies Continues Socialist Policy

Mr. Chifley's much publicised attack upon the Menzies Government's Banking Bill helps further to obscure the fact that the policy of credit monopoly so enthusiastically endorsed by Mr. Chifley is to be also endorsed by Mr. Menzies. It is very probable that the Labor Party will, for tactical reasons, make a strong show of opposing the Menzies Banking Bill, even using their Senate majority to delay it as long as possible. Unfortunately, Mr. Chifley's "opposition" may persuade many Liberal and Country Party supporters that Mr. Menzies' banking policy is fundamentally opposed to Socialist policy.

Attacking the proposed Board control of the Commonwealth Bank, Mr. Chifley said at Canberra on March 28: "This Board would replace the present Advisory Council, which is, in my opinion, the finest collection of economic and administrative brains Australia had ever had in one organisation." As Dr. Coombs and his associates on the Advisory Council are all Socialists and monopolists, no wonder Mr. Chifley eulogises them. But surely Liberal and Country Party supporters must find it strange that Mr. Menzies proposes to call Dr. Coombs and his associates a Board instead of an Advisory Council, and then say this is an anti-Socialist policy.

"Bulletin" Critical

In case some Liberal and Country Party supporters think that we are merely criticising the Menzies Government because of what they may term our "peculiar financial theories," we draw attention to the fact that the Sydney *Bulletin*, a journal which no one could possibly charge with having Unorthodox financial views, has in its issues of March 22 and March 29, vigorously attacked the Menzies Banking Bill. In its article on March 22, the *Bulletin* said: "The new Federal Government's first piece of major legislation, the Banking Bill, looks like a bad start on the road to a new era of private enterprise. If 'Labor' had put it forward a few years ago, it would have been bitterly criticised by its present authors . . . control rests in the board and the Treasurer subject to agreement. In the case of disagreement, Parliament may have its say, but in the face of the constitution of the bank that eventuality is so little likely to arise that the clauses dealing with it are a mere formality."

Coombs to Control

A close study of the Menzies Banking Bill makes it very clear that Dr. Coombs and his fellow Socialists are going to continue controlling financial policy with the

ultimate objective of cheating a complete Monopoly of Credit. "The finest collection of economic and administrative brains" will continue as in the past. Not only will Mr. Chifley's former, "advisers" hold five positions out of ten on the proposed Board; Dr. Coombs is to have, a casting vote as chairman. The other five appointments to the Board must necessarily be filled by men who will be forced to follow the Coombs line. Not only will they be amateurs in matters of finance, but their appointment will only be for five years each with an initial rotary system providing for the retirement of one each year. This arrangement places Dr. Coombs in a dominating position.

The Menzies' Banking Bill provides further evidence of the fact that all modern Governments have increasingly come under the domination of the permanent bureaucracy, the key members of which have been trained at the London School of Economics and similar institutions financed by International Finance. The silence of the local Trading Banks on the Menzies Banking Bill is apparently indicative of the fact that they are prepared to accept from the Menzies Government legislation they protested against when introduced by the Labor-Socialists. The Trading Banks have, by their persistent refusal over the years to consider any change in present financial rules, paved the way for the destruction of what independence they still possess. But there is still time for them to do something effective if only they will come out in opposition to the policy of Credit Monopoly which they have supported for so long.

Break Credit Monopoly

The real issue concerning credit policy is not, as so many monetary reformers say, whether we are to have a Government Monopoly of Credit instead of a "private" Monopoly. It is the Monopoly of Credit itself that is evil and must be destroyed if our

way of life is to be saved. A genuine anti-Socialist Government would be pursuing a policy of decentralising credit control, not continuing to centralise it along the lines proposed by the Menzies Government. Our policy of new financial credits for a scientific price-subsidy mechanism is the most effective first step towards genuine decentralisation of credit power, and the sooner the people of Australia insist that this issue be tackled, the less the chance of an economic upheaval out of which can only come the complete Servile State. The time for effective action is NOW.

OUR POLICY

1. The preservation of Australia's sovereignty as a part of the British Empire, and the exposure of all internal and external groups which attack that sovereignty.
2. The preservation and extension of genuine local government.
3. The preservation and strengthening of all Constitutional safeguards for the purpose of protecting fundamental individual rights.
4. The encouragement of all activities designed to bring Governments under more effective control by the electors.
5. The preservation and extension of genuine free, competitive enterprise and private ownership, and opposition to all Monopoly, whether it be "private" or State.
6. The support of a financial policy which will (a) permit free enterprise to make available to all individuals an increasing standard of living and greater leisure for cultural pursuits; (b) result in no further increase in the community's indebtedness and the sound business practice of gradually reducing existing debt.
7. Recognising that the basis of any sound economy is agriculture, the encouragement of agricultural policies which will ensure the preservation and building up of soil fertility by organic farming and gardening; and the prevention of soil erosion and the protection of forests and watersheds.

Now, when our land to ruin's brink is verging,
In God's name, let us speak while there is time!

Now, when the padlocks for our lips are forging,
Silence is crime.

WHITTIER.

TO THE POINT

Reality and Abstraction

Recent reports from Great Britain mention the fact that, while the great majority of the people are compelled to live on a meagre and monotonous diet, warehouses are stocked full of record quantities of food. Government spokesmen admit that the food ration could be greatly increased, but that the "economic position" does not permit this to be done. It is apparently feared that an increase in food consumption would mean more money to finance food subsidies.

The British people are having imposed upon them a new version of the old poverty amidst plenty theme. The financial and economic system — an abstraction — is of greater importance than reality — food consumption. It is amazing that the British people have stood for so long one act of treachery after another. There is, however, always a limit to this type of thing.

* * * *

"Positive Democracy"

When we declare that the Labour Party, which was so tragically, hypnotised and captured for State Socialism a generation ago, is the worst exponent of a thoroughly bad philosophy, we have in justice to add that the Conservative Party is also badly infected; and so, of course, are the Liberals. In this particular matter of education, it was a Conservative Minister, and one very influential in framing the Party's policy now, who negotiated and imposed the present Act, and in the Coalition days Conservative Ministers approached social security and a comprehensive health service with apparently no desire to find or develop a better way than the direct extension of State authority, with a Minister with vast powers to rule by regulation. There are two reasons for this, the first, that politicians are transient figures, while ministries and civil servants remain; and these policies, which so enormously extend the power of centralised bureaucracy, are naturally congenial to the men at the head of the centralised bureaucracy. We write this in no cynical spirit; some are men who have been drawn to the public service because the idea of what they call "positive democracy" is attractive to them, and they serve the State, even if no philosophical idealist makes them think of it as expressing the will and mind of the community, with the devotion of a priesthood. For there is a priesthood, and a priestcraft, of the State, expressing itself through ambitious civil servants and ambitious politicians, which is, in various guises and many countries, one of the chief characteristics of this age.

—*The Tablet* (England).

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A Poser for Mr. Menzies

During the Federal election campaign last year, Mr. R. G. Menzies said: — "In Australia the pre-war pound — the Liberal pound, the Country Party pound — has been converted to a Socialist pound which in terms of what it will buy is, even the 'C' series index, worth only twelve shillings and not twenty; and in real terms has certainly fallen to ten shillings."

Since the above statement was made, prices have increased still further, which means that the present Menzies pound is not worth ten shillings compared with the 1939 pound. This being so, the basic wage should now be more than double the 1939 basic wage. What has Mr. Menzies got to say about this? Does he not understand that it is adding insult to injury to ask employees to work harder without first ensuring that their present wages do buy more?

* * * *

"A Coincidence"

No doubt it is only a "coincidence" that out of the eleven Communist agents recently convicted in New York, nine were Jews, the other two being Negroes. The following are the names of the nine Jews convicted: Jack Stachel (Jacob Abraham Stachel); John B. Williamson; Gilbert Green (Gilbert Greenberg); Eugene Dennis (Francis Eugene Waldron); Carl Winter (Philip Carl Weissberg); Robert Thompson; Gus Hall (Arvo Mike Halberg); John Gates (Israel Ragenstrich); Irving Potash.

* * * *

Politicians Come and Politicians Go

Dr. John Burton, formerly Dr. Evatt's right hand man who was denounced by Mr. Menzies, must be laughing heartily to himself as he continues in the Department of External Affairs, Mr. Spender took Dr. Burton with him to the Philippines; also Mr. Ward's secretary, Mr. Hallegan.

* * * *

A Banker's Admission

In an article in the Melbourne *Argus* of March 21, Sir Frank Clarke, a Member of the Victorian Legislative Council and a Director of the National Bank, mixes a little commonsense with a great deal of economic nonsense. Sir Frank states that "Australia must buy in the cheapest markets just as she must sell in the dearest markets . . ." Just how every country can pursue this policy and still balance exports against imports — surely a most desirable objective — is not explained.

One admission in Sir Frank's article is worth placing on record: "I also disagree that . . . any further practical restriction of credit by the banking system, governmental or trading, can be employed to lessen the cost of living, because the present curb of the trading banks by the 1945 Banking Act, that is, by the Commonwealth Bank, goes as far as sound finance can go. This was implicitly acknowledged even by Mr. Chifley."

If the banking system can restrict credit, it can, of course, expand credit. Once upon a time bankers vigorously denied that the banks expand and restrict credit. It would be interesting to know what leading bankers think about the present Federal Government's policy of leaving credit policy under the control of Socialist Coombs.

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Australia and U.S. Foreign Policy

Before allowing Mr. Spender and Mr. Casey to make Australia's foreign policy subservient to that followed by the U.S.A. State Department, Australians should remember that during the war years, the Communists and Communist sympathisers in the U.S.A. State Department, most of them Zionists, made possible the present Communist threats all over the world.

Suggested Action for Electors

We republish a very thought-provoking letter, which appeared in the English *Social Creditor* on March 4, 1950. The suggestion made in this letter is, we believe, particularly applicable to the present Australian political scene. It would be most interesting to know how many individual members of a Government elected on the policy of "putting the shillings back into the pound," are now prepared to accept personal responsibility for that policy. We suggest that readers of this journal immediately contact their Liberal and Country Party members, and challenge them along the lines proposed in the following letter: — The Editor, *The Social Creditor*,

Dear Sir,

May I suggest that the following approach to the problem of restoring responsibility to politics receive consideration: —

After the election individual Social Creditors to challenge their M.P. to pay them annually a sum equivalent to the increase in taxation and cost of living if any on £1,000 year income during the term his Party is in power, the Social Creditor in return to guarantee to pay the M.P. a sum equivalent to the reduction in taxation and cost of living, if any.

If the M.P. refuses to accept the challenge, throw it open to any elector in the constituency who voted for the Party in power.

The effects of action taken along these lines would appear to me likely to be: —

(1) If the M.P. accepted the challenge he would have an important incentive to press for results in Parliament; if he refused he could be pilloried and his bonafides would be seriously prejudiced.

(2) If no elector accepted the challenge, the irresponsibility of the electorate would be glaringly exposed.

(3) The Social Creditor would have an opportunity of evading some of the evils threatened.

(4) Many electors other than Social Creditors convinced of the incompetence of the Party they did not vote for might seize on the idea for their own personal advantage.

If the stratagem meets with approval it would be advantageous to have a standard formula and legal agreement which all could use, thus saving legal expenses.

Record of all action taken throughout the country could be collated and marshalled and would provide valuable information and dynamite.

Yours faithfully,

Alton, Hants, Feb. 16. JOHN MITCHELL.

General Patrick Hurley has said that he was convinced that there were not less than 1,200 Communists in the State Department. While in China on a special mission his messages reached Moscow quicker than they reached Washington! Even after the Jew Hiss had been convicted of perjury, the present U.S.A. Secretary of the State Department, Dean Acheson, said he still had faith in this Communist agent.

Australia's security cannot be entrusted to those who have pursued such a disastrous policy for so long. A strong, sovereign, and united British Empire is more urgently required as a stabilising influence in world affairs, than ever before in history.

How to Increase Wages Without Increasing Prices

An Alternative Policy to the Inflation Menace

The steady increase in prices is a growing menace pressing more and more severely upon every section of the community. And it is becoming more widely realised that further increases in wages, such as are being advocated by Trade Union leaders in their claim for a basic wage of £10 per week, can have no other ultimate effect than to force prices still higher and thus prevent the increased wages from having increased purchasing power.

However, it is unrealistic to suggest to wage earners that they should work harder and not seek increased wages unless they are offered a constructive alternative policy which will enable them effectively to increase their purchasing power.

The basis of genuine peace in industry must be a policy, which has the enthusiastic support of the wage earner.

Defeating Inflation

In making suggestions as to a policy, which would defeat the inflation menace, the publishers of this journal desire it to be clearly understood that they are not attempting to propagate any technical METHOD of financial or economic reform.

They are primarily concerned with directing attention to possible POLICIES, which would enable free enterprise to function as it could and should.

If the policy outlined here is one which electors feel should be implemented there is no doubt that there are the competent financial and other experts who could evolve a satisfactory method of making it operative.

Reducing Taxation

There is, of course, a very considerable body of opinion, which contends that a heavy reduction in all taxation, both direct and indirect, would result in economic salvation. It is generally agreed that high taxation and other controls are being used to hamper the production system today.

One of the first constructive policies necessary is a drastic reduction in taxation.

This would immediately increase the incentive of both employer and employee and help increase production.

Sales tax should be eliminated completely, thus resulting in an immediate benefit to the consumer.

Prices Progressively Increase

However, although drastically reduced taxation and controls would be the first step in the right direction, it must not be forgotten that, prior to the war, when taxation was very much lower than it is now, and when there was intense competition, prices generally were increasing.

If we go back over the past 100 years of economic history we must be struck by the fact that, in spite of continued improvements in methods of production, prices have progressively increased.

It is surely obvious that increased efficiency in industry should result in a steady reduction in prices. The fact that exactly the opposite has happened must be carefully considered by every thinking person.

"The Great Depression"

It is true, of course, that during such occasional periods as the Great Depression

there have been temporary reductions in prices; but, as Professor Copland, chief economic adviser to the Federal Government during the depression, has pointed out since—see particularly his book, *The High Road to Full Employment*—this was partly the result of an unrealistic internal financial policy.

The hard fact must be faced that prices have increased and, with wage earners pressing for further wage increases, must continue to increase unless there is a change in financial policy.

It is obvious, therefore, that something more than tax reductions is necessary for a permanent basis of stability and prosperity.

The Basic Wage

At present wage increases may be granted for no other reason than to restore the purchasing power of wages, which have already fallen because of a general rise in prices.

There are two problems concerned with wage levels—the right of the wage earner to a certain "basic" standard of living; also the right to share in any increased prosperity of the country as a whole.

In Australia a basic wage has been defined since 1907, and the size of this wage has varied from time to time in accordance with variations in the cost of living as reflected by changes in certain index numbers maintained by the Commonwealth Bureau of Census and Statistics.

By this means real wages—i.e., actual wages measured in terms of effective purchasing power—have been held remarkably constant. Actual, or nominal, wages have, however, increased considerably, particularly over the past twelve years.

This means that the purchasing power of a unit of money has been reduced; and it means further that little progress has been made in enabling the wage earner to share in any increasing prosperity.

Economic Effects of Wage Increases

Wages are a cost of industry, and, since the solvency of industry depends on the recovery through prices of all costs, it follows that any increase in costs must result in increased prices.

If wages were the only cost of industry it would follow that a wage increase must be equalled by a price increase.

Industry, however, has other costs than wages (raw materials, plant charges, profits), so that collective prices must be greater than collective wages.

There is, of course, an immediate benefit from an increase in wages, and it is this, which forms the justification for demands for higher wages.

The above argument assumes that costs, other than wages, are fixed; but in the long run this is simply not true.

Higher costs due to wage increases are sooner or later reflected in an increase in the costs of plant and raw materials. As these increases become effective they more than nullify the original advantage from the increase in wages.

An increase in the wages of the coal industry, for example, is reflected immediately in the basic cost of coal; but this

increase is further reflected in the increased cost of coal, which must in turn increase the cost of the delivered coal; both these costs enter into the price of steel, power, etc.; and the cost of transporting the steel is also increased. Without following this process in further detail, it can be seen that the effect of wage increases is multiplied in chain production.

Communist Argument

Perhaps we should at this point answer the argument usually advanced by the Communists that increased wages can be paid out of profits, thus obviating any increases in prices. But a brief examination of a few official figures proves that this policy is impossible.

The latest Commonwealth Statistician figures show that even if the total profits of all Australian industries were distributed equally amongst the employees in these industries, each employee would only receive 7/- per week. But if this policy were pursued there would be no profits to be distributed, as no enterprise will function unless there is sufficient incentive in the form of adequate profits.

The wage earner must realise that there is no basis for the glib argument that industry can pay increased wages without increasing prices.

Increased Efficiency

Some people argue that increased wages can be paid as the result of increased efficiency in industry.

By this is meant that improved processes may produce two or more articles where one was produced before, thus lowering prices. While this improvement of efficiency may reduce individual prices, it will not justify an increase of wages. Wages always form an element of total cost, and total cost is necessarily increased by increased wages, with the results we have already outlined. Improved efficiency should lower individual prices, but it cannot affect the solvency of industry as a whole—i.e., the ability of total wages to purchase total production.

Depreciated Purchasing Power

Where, as in Australia, wages are related by a formula to the cost of living, the wage earner can, it is true, keep abreast of price increases; but the tragic result is a continuous and accelerating depreciation of the purchasing power of the unit of money—a depreciation measured in part by a rise in the C Series Price Index from 1400 in 1933 to 1800 in 1943, or nearly 30 per cent.

This insidious but very real inflation is reducing the standard of living of those people with fixed incomes and is destroying the value of savings.

How to Increase Wages

Apart from the exploitation of the wage-earner by the Communists and other political agitators, who have no genuine desire to improve the security and independence of the wage-earner, it must be admitted by all reasonable people that the basic cause of the demand of the wage-earner for increased purchasing power and reduced hours of work is based upon the belief that the modern production system can supply him with those results.

Increased Productive Capacity

It is foolish for some people to criticise

(Continued on page 5)

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THE NEW TIMES

Established 1955

Published every Friday by New Times Limited, McEwan House,
343 Little Collins Street, Melbourne, C.I.

Postal Address: Box 1226L, G.P.O., Melbourne. Telephone: MU2834.

VOL. 16.

FRIDAY, APRIL 7, 1950.

No. 14.

The Crimes Act and the Communists

No regular reader of this journal can have the slightest doubt about our uncompromising opposition to Communism. But we do not feel that Mr. Menzies and his colleagues are making a very promising start towards the defeat of the Communist menace in this country. We have the greatest sympathy with Mr. Menzies' stated intention of using the Crimes Act against Communist leaders who are deliberately causing industrial unrest in order to cripple our economy. Unfortunately, however while the present inflationary financial rules are maintained, employees generally are increasingly concerned about the steady reduction in the purchasing power of their wages. It is easy for many people to condemn the employees and point out the obvious fact that striking for increased wages only intensifies the inflation menace. But have these people any constructive alternative to offer?

While it is possible and desirable to use the Crimes Act effectively against individual Communists who preach treason and sedition, it is not so simple to use it against Communists in their role as Trade Union leaders. In most strikes — the Tramway Strike in Melbourne is an example — it is unfortunately true that the rank and file of employees, the overwhelming majority of whom are not Communists, have an economic grievance, which the Communists find simple to exploit. If Mr. Menzies could immediately attack the basic cause of these economic grievances, it would simplify the problem of using the Crimes Act against Communists without antagonising the majority of Australian Trade Unionists.

We predict that, Crimes Act or no Crimes Act, industrial disturbances in Australia will continue to increase while prices continue to rise. To try and use the threat of the Crimes Act while no real attempt is made to reduce prices without a depression, is asking for very serious trouble. And, unfortunately, such trouble would be used by the master-planners at Canberra to extend their centralised control of the Australian people.

The most smashing blow Mr. Menzies could deliver against the Communists would be an immediate and drastic reduction in prices by the introduction of a price-subsidy mechanism, the complete abolition of the Sales Tax — a most inflationary tax — and a worthwhile reduction in all other taxes. This would clear the way for the effective use of the Crimes Act against individual Communists.

The Bureaucracy

THE ARMY OF OCCUPATION STILL GROWING

During the month of December 1949, Commonwealth Government Civilian Employees increased by 2,000 males and 300 females, making the new total 196,000.

State and semi-government employment went up during the same month by 2,800 males and 200 females. Total persons in Government and local Government employ at December 31st was 644,600, compared with 1,852,400 in private employment.

During December 1,000 more people went into Government employment than into all forms of non-government employment, for private employment rose by 4,300 persons while Government employment rose by 5,300.

In manufacturing, employment actually fell away by 2,485.

Laski Dead

Without regret we announce the death of Professor Harold Laski This Manchester Jew, over the past 30 years, was one of the most important agents responsible for the present plight of the British Empire. His principal instrument was the London School of Economics, through which he poisoned and perverted the minds of thousands of young men and women.

We only hope that he has gone to a hotter spot than this *red-hot* world he did so much to create.

League of Rights Denounces

Menzies Banking Bill

In a general press statement made last week, Mr. Eric Butler, Campaign Director of the Victorian League of Rights, attacked the Menzies Government's Banking Bill, claiming that it was a continuation of the Socialist policy of Monopoly supported by the Chifley Government.

Mr. Butler said that the League had sent a strongly worded protest to every Federal Country and Liberal Party Member, outlining the dangers of the legislation and calling upon them to stand up and fight the Socialist economists like Dr. Coombs. Copies of the *New Times* of March 10 were also forwarded, together with the booklet, *The Fountain Head of The Socialist Conspiracy*.

Are You a Direct Subscriber?

At present the *New Times* is reorganising as a preliminary to an expansion drive which it is hoped to get under way within the next few weeks. Every supporter of the *New Times* who is not at present a direct subscriber can help our expansion drive by becoming a direct subscriber—if his newsagent is making no attempt to display the *New Times* and thus encourage new readers.

Needless to say, we desire all those supporters who get their *New Times* through their local State Electoral Campaign or Social Credit organisation to continue doing so. We are mainly concerned with eliminating newsagents who will not co-operate with the *New Times*.

The direct subscriber is the most profitable financially to the *New Times*, and also requires the minimum of office organisation.

D.S.C.M.
Address by
Mr. Haythorpe—
"The Truth About Inflation"
Room 8, 1st Floor, The Block,
Elizabeth Street
Thursday, April 13, 8 p.m.
Take Elizabeth St. Lift.

Health, Wealth and Prosperity

By "FOOTLE."

I am no good at figures; they are always tripping me up. And whenever I come into contact with the utterances of economists and actuarial blokes I am lost in admiration, or something. Numbers seem to be antipathetic to actualities. When I tootle down the street, I find I can notice happy people, worried people, diseased people, over-satisfied people and so on, but not how many people. I've even been to political meetings and come away with the impression that there were forty or fifty people present and read with amazement next morning that several hundreds listened attentively, etcetera. So I am what is known as an unreliable witness.

This failure of mine isn't due to lack of effort or goodwill on my part; it is simply that there seems to be something inherent in numbers, which persists in eluding me. When it is asserted that the population of Australia is eight millions, I am ready to concede that there are most likely, eight millions of beings having two arms and two legs—with rare exceptions—and one head apiece with indifferent furnishings. But classification for me ends there or thereabouts. Even the attribute of nationality does not appear save in the presence of those aggregations we call "foreign."

So, when confronted with Sir Earle Page's health scheme, I was not surprised to find the blight of numbers upon me once more.

I sucked my pencil thoughtfully and consulted my old friend, Pongo Pyke.

"What would you say constituted an average Australian family?" I asked.

"Same as anywhere else except Asia," he replied promptly. "Man, woman and two point five kids."

"And how many married men?"

"Look here, old chap!" expostulated Pongo, "those quiz competitions are not the short cut to wealth you might think. Don't bother your head with them! You're not up to it."

"This isn't a competition; it's a health scheme. I'm trying to work something out. How many heads of families would you say?"

"Close on a million, I guess."

"H'm. The chappie in the paper reckons there's a million pensioners—old age, invalid and war disability. Then there are aged persons not receiving pensions. 600,000 of 'em. Let's see, what does that give us?" I commenced a column to aid calculation.

Pensioners.....	1,000,000
Aged Non-Pension	600,000
Husbands, say	950,006
Wives, say	950,000
Children	2,000,000

"That leaves 2½ million other sorts."

"Includes all the good sorts, obviously," remarked Pongo facetiously. "But what's all this leading up to?"

"Well, the actuarial bloke says here that there are four millions with an income of £550 and over. That uses up all the good sorts and other sorts, all the husbands and pretty well all the over-age non-pensioners."

"You must be daft!" snorted Pongo.

"I know," I wailed. "I've had it proved to me over and over. But where's the catch? That's all I want to know."

Pongo snatched the newspaper from me

and read with corrugated brow. "Under the plan more than four million persons earning in excess of £550 a year will not receive hospital benefits unless they contribute to a voluntary scheme. This group, which is the principal wage-earning group in Australia . . ." Pongo looked at me severely. "D'you suppose," he demanded loftily, "that these Canberra blokes don't know what they're talking about?"

"I didn't say anything of the kind," replied meekly. "All I'm saying is that I don't know what they're talking about. That isn't all, either. What about the basic wage johnnies? Where do they come in? Look at all the fuss the unions have been making about the basic wage, shoving it up to £10 a week and what not!"

"I don't want to look at the fuss," growled Pongo. "I'm sick of the whole argument. First you say there aren't four million people earning £550 a year; then you say there aren't any basic wage earners. Anyway, what is your theory about it all?"

I sighed. How can you have a theory without a premise? If you think of people as numbers, almost anything will fit. Perhaps all the wives are getting £550 while their husbands are getting the basic wage. Perhaps the children are getting more than either. Perhaps there aren't any children. I don't know. The whole thing reminds me of the little mathematical fallacy we used to delight in at school, proving by quadratics that 2 equals 0. One more push and it might be possible to prove there's no such place as Australia.

There is a bright spot, of course. If the figures quoted are correct, the health scheme shouldn't cost us so very much—in money, I mean.

The Enemy Without the Gate

1940 "Capitalist" America, "appeasement" successfully scotched, proceeds to acquire British overseas investments, over £6,000 million, at bargain prices.

1942, "Capitalist" America, now in command of Allied strategy, makes straight the path for "Communist" conquests in Eastern Europe, China and elsewhere.

1945, "Capitalist" America, through U.N.R.R.A. and other agencies, proceeds to the provision of Soviet controlled territories.

1946, "Capitalist" America, cutting Lend-Lease overnight, rushes to the relief of its stranded British "Ally" with a £1,000 million loan *in dollars*—to finance Socialism and thereby the ruin and enslavement of the British Empire.

1949, "Capitalist" America, successful in its insistence on Sterling Devaluation, proposes a "bold new plan," Point Four, for the acquisition of the British Empire at bargain-basement prices.

"... the moulding of events and governments to procure a World Dominion for 'Israel.' The objective involves a perfectly clear, coherent and continuous policy on the part of the Zionists. The conditions for successive and major crises must be created and maintained in the world."—C. H. Douglas, *The Brief for the Prosecution*, p. 23. —*The Social Creditor*, Jan. 28, 1950.

How to Increase Wages without Increasing Prices

(Continued from page 3)

the wage-earner and say that he is becoming lazy. It is a well-known fact that wage earners who, over their weekends, are building their own homes or are working in various ways for themselves, work very hard indeed.

The reason is obvious; there is a direct and worthwhile inducement.

Inducement or Compulsion

The fact that a man who works very hard on some personal work over the weekend will not make the same effort in a factory during the week simply demonstrates that he has no adequate inducement to do so. There are only two ways to get individuals to do things: by inducement or compulsion.

Although it is unfortunate that there is a growing tendency to regard compulsion of the individual essential—the Communists openly advocate compulsion by the "State"—we must preserve and extend our traditional British way of getting individuals to co-operate voluntarily for any purpose.

Genuine free enterprise must be based upon the voluntary association of individuals stimulated by adequate inducement.

Feature of Modern Industry

Now, modern industry is essentially different from anything of previous times.

Its characteristic feature is the introduction of power-driven machinery deriving its energy on a large scale from coal, oil, and hydro-electricity principally.

In 1942 the rated horsepower of engines in use in Australian factories, plus the horsepower equivalent of central electricity stations, was over four million horsepower. As one horsepower is equivalent to approximately ten manpower, it can be said that the productive strength of Australia in 1942 could be rated at over forty million manpower.

And, of course, it has increased considerably since 1942. During the war with 800,000 of our most able-bodied men out of the production system, and many tens of thousands engaged in the manufacture of munitions, Australians gained some idea of the tremendous productive capacity of this country.

US. Capacity

In America, where the horsepower rating in 1939 was approximately twice that of Australia, it was possible to have over 20,000,000 in the armed forces, produce a colossal stream of war equipment, and at the same time increase the standard of living of the American people by approximately 49 per cent.

It is obvious that the vast potentialities of the modern production system have been taken into consideration by the Arbitration Court in reducing over a number of years the Australian working week from 48 to 40 hours.

(To be continued.)

"New Times," April 7, 1950 — Page 5



Another Exposure of the T.V.A.

In a special broadcast to the U.S.A. just after the 1945 Socialist victory in Great Britain, the late Professor Harold Laski, at that time Chairman of the British Labor - Socialist Party, said that the British Socialist Government's programme would follow generally the pattern of planning followed by the Tennessee Valley Authority in the U.S.A. Our Mr. R. G. Casey is also an admirer of this scheme.

It is encouraging to report to believers in genuine individual independence, that Socialist large-scale resource planning, much of it advocated by politicians who have the audacity to call themselves anti-Socialists, is coming under more and more critical attacks. The following article from the influential "London Views and Tidings" of December 22, 1949, is an exposure of the much-publicised T.V.A., which should be brought to the attention of as many people as possible: —

Ladies and Gentlemen, as a special Christmas gesture we offer you the biggest confidence trick ever put across a single nation, one of the seven blunders of the world—The T.V.A.

Much has been written about the T.V.A.; no venture has enjoyed such continuous propaganda in its favour. It was to be the yardstick of planning; yet in our view it has turned out to be the greatest flop of our time; certainly one of the most costly excursions into Socialism that the world has ever seen. We are fully aware that we are making a direct challenge to some of the most powerful interests in the world. But what we shall have to say emerges (as most good news stories invariably do) out of previous notes and comments, which have already been recorded in these pages. Twice recently we mentioned Mr. David Lilienthal, who seems fated to move amongst the biggest, if not the best things in life. He was, you will recall, prominent in the T.V.A. administration, and then until quite recently the atomic king of the world. Quite a man. Mr. Lilienthal wrote a book around the T.V.A., which has often been hailed as a sort of standard work upon that scheme: "T.V.A.: Democracy on the March." It was, for its purpose, a good book; written with all the self-assurance of a man whose oyster is the world, and who is experienced at opening oysters.

From 1941 to 1947 he was chairman of the T.V.A. Board, and as such can be held to be very much the man in authority. In his book Mr. Lilienthal expresses himself most concerned lest the pursuit of planning should in any way restrict the wide and just liberties of the American people. "Centralisation is a threat to the human spirit everywhere, and its control is a concern of all men who love freedom," he says. And since in the hydro-electric schemes which are now being popularised in

Great Britain, we can see a pale echo of T.V.A., we propose to put America's first great excursion in State planning under the microscope.

Socialist America

In this task we freely acknowledge the expert assistance which we have received from the Foundation for Economic Education, Irvington-on-Hudson, New York; particularly with reference to Mr. Dean Russell's new book: "The T.V.A. Idea." Whilst we are not attempting a review of Mr. Russell's book, you may assume that the facts, which we now propose to lay before you, are from that authoritative source. Perhaps one of the first things, which we in England should understand is, that though the T.V.A. is probably the biggest excursion by America into State planning, it is not by any means the only one. We are apt to think of the U.S.A. as the home of unrestricted private enterprise. That is not the case. Already the same seeds from which our nationalisation grew have been planted in the economic soil of America, where Government administrative agencies now exist in the fields of housing, banking, labour, insurance, farming, communications, shipping and railroads. Those first intrusive steps into the private affairs of commerce, industry and the professions, which took place here after the 1914-18 war have also been taken by the American Government. Not until the magnitude of the T.V.A. scheme struck the public did people begin to wake up and ask questions.

But a tremendous weight of propaganda had been used to convince Americans that the T.V.A. was a Good Thing All this started back in the early 30's. The line taken was that the electric power supply companies were growing fat on the hard-earned savings of the little people; that if only one little Government test plant could be set up, all America would see how cheaply the State could manufacture power to the lasting benefit of humanity. That propa-

ganda was most effectively carried out, and equally effectively achieved its objective. So lasting is the effect of such propaganda that even today, with all the faults and figures available, intelligent sections of American opinion will still vote for more State control! In 1943, 1945 and 1947 a public poll of opinion was made amongst editors, publishers and school teachers; and though 69 percent, wanted less Government regulation of the means of production, 74 percent, thought it would be a good idea to put some more T.V.A.'s along the other great rivers of America. Can you beat it? That is informed opinion for you (in America, anyway). Mind you, when it came to their own interests that was another matter. Not one percent, of the Press of America wants Government control of the Press.

The fact is that if there truly had been an "informed opinion" in America, there would have been no T.V.A. today; and if there had been an "informed opinion" in England, there would have been no nationalisation today. That is the size of it. Thus it is that through abdication from responsibility by those people who should be competent, and whose influence should be felt, a whole nation is set marching along the wrong road. What was it Mr. Lilienthal called it? "T.V.A.: Democracy on the March." In a sense he is right. The important thing is to understand just where this queer beast which politicians call democracy is marching! To the analysis of the problem, therefore, let us bring the mind of the specialist. We recall the words of the mythical Mr. Lem Putt, perhaps the most famous of all American specialists: "You've heerd a lot of pratin' and prattlin' about this bein' the age of specialisation . . . I seen the need of a specialist in my line, so I studied her. I got her; she's mine . . ." We claim something in common with Mr. Putt, in that we too specialise in fundamentals; and from this angle we approach the T.V.A.

In its theory planning appeals even to our tidy mind. But experience has taught us that outside easily defined limits, and over a certain size, planning is the most costly method of reaching an objective. Heresy though it may be, trial and error can often be more efficient. But since the test of any scheme is the service it renders to the consumer, it is not sufficient to dismiss the T.V.A. scheme merely because it is a great experiment in the planned economy. If it can be proved that the T.V.A. infringes no rights, and demonstrates that the Government can spend money more wisely than the individual; and if at the end the individual gets more for every dollar he spends; then the T.V.A. is justified. We claim that it stands indicted on all these counts.

(Continued on page 7)

ANOTHER EXPOSURE OF T.V.A.

(Continued from page 6)

Unconstitutional

Consider first the constitutional issue. The whole world now realises that T.V.A. and hydro-electricity mean one and the same thing; even the authority itself no longer pretends otherwise. But under the carefully written Constitution of America it would be illegal; therefore the project was introduced as a scheme of flood control, and of the improvement of navigational facilities. The Supreme Court was, in fact, swayed on those grounds, and it is a vital point to remember; for as we have now experienced in England, the Socialists will frequently introduce a measure framed for one purpose, as the only means of achieving something at which even the patient British would boggle. We should expect, therefore, to find in our analysis that the weight of expenditure would be spread in a descending ratio over flood control, navigation and the acknowledged sideline, electricity. It is, therefore, with some pain that we see that the present estimates for T.V.A. expenditure allocate only \$12,300 millions to the flood control; \$6,230 millions to navigation, but \$24,000 millions to the "sideline" — electricity! Something approaching half the total budget of \$57,000 millions to the sideline. Something going wrong with the "plan" somewhere. As Mr. Lem Putt might have said: "T.V.A., you sure have got privy purse trouble."

Perhaps it might be as well to explode the idea that the T.V.A. fathered hydro-electricity in the Tennessee Valley. This may help us to keep our sense of proportion. What happened was that T.V.A. absorbed private enterprises as required, and extensions and additions were made according to plan. Existing power companies, dams, plant already in existence were taken over upon the basis of compulsory purchase. And so that there might be no argument, T.V.A. was allowed to fix its own valuation. Take the case of the famous Wilson Dam (the hydro-electric unit of the Mussel Shoals project). \$86.3 millions of taxpayers' money had already been sunk in it, for it was a U.S. Government project. T.V.A. took it over at \$31.3 millions. We use this to show how easily the taxpayer can be made to buy the same pup twice over (despite what Lincoln said about not being able to fool all the people all of the time). Right throughout the whole scheme is the same thread of phoney finance, which we have also experienced in England in the gilt-edge market.

By way of explanation, Mr. Dean Russell writes: "With one minor exception, T.V.A. accounting ignores the interest cost on the money invested in this project. As a result of this policy, the cost of about \$120 million of accumulated interest from 1933 to 1947 on the total T.V.A. project was borne by the taxpayers . . . Probably everyone who ever heard of T.V.A. is familiar with the original claim that T.V.A. was to be a 'yardstick' to measure the rates charged by private power companies. For this purpose, it was announced that T.V.A. was to operate financially as much like a private Power Company as possible. But on this matter of interest cost, the T.V.A. 'yardstick' seems less than the customary three feet long."

Cheap or Cheat?

Not only is the interest position completely phoney, but the whole costing system of T.V.A. is false, because it does not pay taxes upon a comparable basis with the private utility companies. In 1947, for example, the private utility companies paid taxes, figured as percentage of revenue, amounting to 18.9 per cent. The T.V.A. payments, made in lieu of taxes, came to 3.93 per cent. Nor is this the only way that the T.V.A. price to consumers is cooked. T.V.A. pays no postage, uses tax-free petrol and is exempt from various licence dues. But the most tricky calculation of all is the way in which total costs are distributed amongst flood control, navigation and the electrical programme.

Mr. C. J. Green, who has recently published *An Analysis of the Real Cost of T.V.A. Power*, estimates that if T.V.A. had to compete on level terms with the public utility companies, the present electricity rates would have to be doubled. And he should know, he's a professional engineer-accountant who has just retired from 20 years' service with the Federal Power Commission. It is, in short, quite impossible for the planners to sustain their case that the T.V.A. has resulted in cheap electricity. And another claim which we will now blow sky high is that the T.V.A. scheme brought prosperity to the Tennessee Valley.

Whilst we would not deny that the pouring out of millions of dollars of taxpayers' money must benefit some, it cannot be claimed that the Tennessee Valley today enjoys greater prosperity than Alabama, Mississippi or Texas, three regions which, according to Mr. Russell's analysis: "show greater economic improvement, both total and percentage wise, than Tennessee." The fact of the matter is that public opinion upon this extravagant undertaking has been so distorted with charts, pictures and glowing propaganda, that what has been lost sight of is that enforced expenditure upon the T.V.A. scheme has merely prevented an equivalent expenditure of capital on other directions.

We claim that on all counts the T.V.A. scheme is a phoney. Certainly upon the question of "cheap" it is, as can be shown upon any basis of finest cost accountancy. It is now our task to demonstrate that in private hands such expenditure would have been infinitely more profitable to the community.

The Rains Came

Now about flood control and navigation, those subordinated twins, which were merely the Constitutional reasons for the project. The Corps of Engineers of the U.S. Army carried out the preliminary survey, and according to their report a flood that would cover some 666,000 acres might happen in the Tennessee Valley once in 500 years! As Mr. Russell quietly points out: "In the name of flood control and navigation, T.V.A. has acquired 1,131,286 acres of land. This is an area the size of the entire State of Rhode Island. Not counting the normal river channel, 463,000 acres of this land are now submerged below the normal level of the man-made lakes that T.V.A. has created as a part of its flood control programme. An additional 128,000 acres are held for flooding when the reservoirs are full.

"In other words, once every 500 years the

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Tennessee River *might* flood as much land in Tennessee as T.V.A. has permanently flooded or set aside for flooding in its flood control programme. As the Chairman of the House Committee on Flood Control Projects said: . . . 'careful estimates over that substantially all the lands that were formerly overflowed by flood waters are now condemned as bottoms for reservoirs.' Was this land which T.V.A. took out of cultivation merely wasteland—marshes and swamps—or barren hillside? On the contrary, much of it was rich valley land, among the best and most productive in Tennessee."

In the sacred name of flood control the T.V.A. can seize all the land and property it fancies. Putting its powers to the test, T.V.A. constructed what was very similar to our Mr. Silkin's "satellite towns" at Vanport City. Dykes and levees were built by the planners to control the waters; Government subsidised industries moved in, and a model Government township was laid out. Then the rains came. The multi-purpose dams failed; as Mr. Russell says: "The Government-planned city that was built on a flood plain was inundated. The Government-subsidised industries were flooded. The Government-approved housing projects were washed away. Property damage ran into millions. Lives were lost." Now the estimate of cost of the T.V.A. flood control scheme originally was around \$36½ millions; but by July, 1947, the T.V.A. had spent \$153 millions—the cost of flood damage which this vast expenditure is supposed to prevent being a mere \$1½ millions! On the navigation side of the T.V.A. accounts there is the same prodigality with the American taxpayers' money. The Army Engineers' estimate of the cost of the Tennessee River navigation project in 1930 was \$75 millions. But when actual construction was undertaken (at a time when cost had fallen everywhere in relation to 1930) T.V.A. spent no less than \$149 millions.

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"New Times," April 7, 1950 — Page 7

ANOTHER EXPOSURE OF T.V.A.

(Continued from page 7)

These figures are not thrown at you for academic exercise. They are fundamental in showing the extravagance and inefficiency of State-enterprise and State-management; they are integral in any argument that Government interference is a good thing for the community, which, after all, has to sign the cheque.

By Private Enterprise

The other night one of London's great planning experts put it to us that without Government incentive and Government subsidy, a scheme of the magnitude of T.V.A. could not have been contemplated. Such an argument, of course, does not hold water for a moment. One example of such a private enterprise, carried through without a cent of taxpayers' money, is the Edison Company's "Big Creek" Development project, started in 1913, and completed at a cost of \$100 millions of private capital.

Of this scheme, Mr. Dean Russell says: "In the High Sierras, Southern California, Edison Company has constructed a \$100 million project Beginning 36 years ago, this company (and its predecessor companies) built access railways and highways, a 13-mile tunnel, hydro-electric power houses and dams. In addition to furnishing a steadier water flow for power production, these dams also provide valuable flood control for the lower San Joaquin River. They flood no good or tillable land. They store water to be released for power production during the dry season. This water is then also automatically available for irrigation in the valley below. Not only do the taxpayers make no contribution to this project but they receive contributions from all these improvements through taxes paid on them by Southern California Edison. Contrasted to the tax-supported T.V.A. project, this job is taxed while the people get the resulting incidental flood control and irrigation benefits without charge."

There are, of course, many other similar projects, not only in America but throughout the world. One of the most famous is the Wisconsin Valley Scheme, which dates back from 1905, and of which America's *Electrical World* said in 1948: "The man who says that only the Federal Government can do a complete river development job, doesn't know whereof he speaks. They've been doing it otherwise on the Wisconsin since the turn of the century"; and their brilliant report is summed up by Mr. Russell: "In short, private enterprise—that is, voluntary co-operation among free persons—would build neither the pyramids of Egypt nor T.V.A. in Tennessee." What private enterprise would possibly have done would be to have repeated the Wisconsin Valley Scheme at no cost to the taxpayer.

The Seamless Web

It was Mr. Lilenthal who dragged in the pyramids! He it was who estimated that the T.V.A. scheme comprised "more than twelve times the bulk of the seven great pyramids of Egypt." And it was he, you will remember, who expressed horror of centralisation as "a threat to the human spirit everywhere, and its control is a concern of all men who love freedom!"

It is, therefore, with some reluctance that we have to consider the political motives which are bound up with great State-enterprises such as the T.V.A., and with which we find Mr. Lilenthal intimately connected as an interested party—no matter what he may say to the contrary. Mr. Lilenthal, in his definition of the T.V.A. idea, calls it a "Seamless Web," and those of you who have some knowledge of the "New Deal" politics need no further explanation. Into his "Seamless Web" are caught and held all those factors which the central planner holds so dear.

Commenting, Mr. Russell writes: "... the T.V.A. 'seamless web' includes horticulture, the manufacture and distribution of fertiliser; the invention of a new type refrigerator; experimental farms; teaching teachers the T.V.A. 'idea'; bringing schools, colleges and universities into the programme; organising co-operatives of various types; exporting the 'idea' to other States; training Russian experts to build similar plants that will produce power on streams 'somewhere beyond the Urals'; furnishing technical advice and help to private industry; planning and building terminals to connect highways, railroads and waterways; administering T.V.A. demonstration farm activities in twenty-one other States of the Union; control of soil erosion; and a host of other tasks.

"At this point, one might be tempted to ask if there is anything not included in this T.V.A. idea of a 'seamless web.' Certainly every person living in the Tennessee Valley is included. And just as certainly every taxpayer in the United States is included, whether he wishes to be or not. Which leads to the second—and most important—half of the T.V.A. idea. Since all of us are included in it, where does the authority for all this rest? Does it reside with the Federal Government? State government? The three-man T.V.A. Board? One man? Or with whom?"

It is just at this stage, of course, that Mr. Lilenthal, in common with all centralisers, likes silently to fade out. But he was made to say one last vital word; this man who so abhorred centralisation, that he must warn humanity against it.

"We need a strong central government," he says. This is plain to everyone who sees the changed nature of our modern world. But I have deep apprehension for the future unless we learn how many of these central plans can be decentralised in their administrations."

Aye; there's the rub; it always is. What of the people who, on grounds of economic sanity, or conscience, or merely private preference wish to exercise the right of all free men—"to choose or to refuse"? Toying with his atomic bomb, Mr. Lilenthal gives us his answer: "Of course there are clashes which as of any given moment cannot be harmonised. THE PRIVATE INTEREST MUST THEN BE SUBORDINATED."

A "seamless web" indeed—that is where we came in.

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