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"Ye shall know the truth and the truth shall make you free"

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EDITORIAL

What the Government's Banking Legislation Means

We notice with interest that *The Financial Review*, published in Sydney, agrees in general with our view that the Federal Government's proposed banking legislation would be a most suitable instrument for a future Government to use to implement a policy of socialisation. *The Review* suggests that Dr. Evatt lost an opportunity to embarrass the Government by supporting the legislation, pointing out that it was everything that a future Labor Government would desire!

But Dr. Evatt and his supporters decided that there was far more political capital to be made out of opposing the legislation than by supporting it. And they are probably correct. Even the non-Evatt Labor Senators felt that it was politically essential that they oppose the legislation. We do not suggest that Dr. Evatt is playing some deep and double game by opposing legislation which actually will achieve the very opposite of what its sponsors claim. It is far more likely, as a close reading of Dr. Evatt's speeches on the legislation reveals, that Dr. Evatt knows practically nothing about the basic facts of banking mechanics. The same can be said about the majority of Members of all the parties. And because they do not understand the rules governing credit creation, they are unable to express any realistic views on what the proposed banking legislation will achieve.

However, Dr. Coombs does understand banking. As a Fabian Socialist and a product of the London School of Economics, he knows that centralised control of credit is essential for the creation of the centrally planned State. It is no secret that Dr. Coombs played a prominent role in "advising" on the drafting of the Government's banking legislation.

Most people make no attempt to understand how the banking system works because of the special jargon which is used to describe—or hide!—its workings. Terms like "liquidity", "cash at call", "special accounts", the "unblocking" of these "special accounts", all tend to create the impression that "high finance" can only be understood by the "experts". But the fundamental facts concerning the credit system are quite clear and once grasped indicate just why the Government's proposed legislation is a step towards further centralisation.

The volume of financial credit created by the trading banks is governed by cash actually held by the banks or by what is described as "cash at call". "Cash at call" are simply deposits which the trading

banks have with the Central Bank and which, if necessary, they could withdraw in bank notes. Now, apart from obtaining a portion of the coins and notes created by the authority of the Commonwealth Government, the trading banks also obtain Central Bank credit, which is regarded as cash. How are these deposits with the Central Bank obtained? Treasury Bills, which might be described as Government I.O.U.'s issued by the Treasury in denominations of £1,000, £5,000, £50,000 and £500,000 each, enable the Government to increase the Government's Account with the Central Bank. This Account is used by the Government to draw cheques and to pay all those engaged in the numerous Government undertakings. These cheques are paid into the trading banks, which in turn present them to the Central Bank. The Central Bank credits the trading banks with the cheques presented.

Now if the trading banks were permitted to create and lend credit for non-governmental purposes on the basis of their credits with the Central Bank, this would mean that the policy of increasing Government expenditure through Treasury Bill finance would enable the trading banks to create and make available a proportionately greater amount of money. It is one of the "axioms" of "sound finance" that at least ten pounds of new credit can be created for every one pound of cash held or available "at call".

The introduction in 1941 of the Special Accounts system, under which a proportion of the trading banks' deposits with the Central Bank are "blocked" or "frozen", was specifically designed to ensure that the cash basis for credit expansion by the trading banks was directly limited by the Central Bank. The establishment of Savings Banks by the trading banks was an attempt by the trading banks to circumvent this control and to obtain cash from the public as the basis of increased credit expansion.

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NEWS SECTION

New Zealand Elections: It is to be hoped that those Australian Social Crediters urging party political action have carefully noted the recent New Zealand election results. The total vote for those candidates standing as Social Crediters dropped by approximately 4 percent compared with the last elections. We felt at the time of the last elections that amongst the 11 percent who voted for Social Crediters, there was a considerable percentage, which was merely a negative against the two major parties.

Events continue to confirm the warnings of C. H. Douglas concerning the rectification of the evils destroying the world by an appeal to an electorate, which has become increasingly irresponsible and corrupted. Something far more fundamental than this is required, and Douglas indicated what Social Crediters should attempt to do.

Indonesian Developments: Anyone surprised about developments in Indonesia must be regarded as very simple. What is happening at present is the logical outcome of providing people with responsibilities, which they are not equipped to accept. Whenever the European colonial powers are driven from the areas they have started to civilize, in every case by Moscow and Washington combining for the purpose, the result is always the same. There is a breakdown in law and order with the Communists progressively exploiting the worsening situation.

Monsarrat Novel Given "Silent Treatment": While most people have heard about Monsarrat's famous novel, *The Cruel Sea*, very few have heard about the novel which followed, *The Tribe Which Lost Its Head*, Mr. Monsarrat is at present in Australia seeking material for a new novel and we noticed in a reported interview with the press that he "pointedly" drew attention to the fact that his last novel had been poorly reviewed in Australia. Anyone who reads this novel will soon understand why.

The Tribe Which Lost Its Head is obviously based upon the Mau Mau terror in Kenya. It shows what happens when the numerous instruments of subversion, including "famous correspondents" and political priests, agitate amongst native peoples and urge them to demand their "rights". Monsarrat clearly understands how "world opinion" is created. This novel will certainly not be filmed, although we would agree with the author that from every point of view it is a far better novel than *The Cruel Sea*.

The treatment given to *The Tribe Which Lost Its Head* is one more sample of the ascendancy of the forces of subversion and their tools in these critical times.

Communism And The Race Question: While the Australian press has reported on the recent electoral reverses for the Eisenhower Administration, it has made no reference to the fact that one of the most important causes of the loss of electoral support was Eisenhower's handling of the Little Rock racial issue. As far as we know, *The New Times* is the only publication in Australia to report on the truth about the racial issue in the U.S.A.

Responsible Negro leaders, including members of the clergy, have recently warned that the National Association for the Advancement of Coloured People was run by Zionists and Communists to exploit the Negroes. But these Negro leaders are bitterly assailed by the NAACP and its dupes.

During last month there was a stir in Washington when the circulation of a broadsheet issued by the Georgian Commission on Education left no doubt about the exploitation of the race issue by the Communists. This broadsheet reports a meeting of an "inter-racial seminar" attended by "the Leaders of every major race incident in the South, since the Supreme Court decision (on school segregation)".

In giving the names of many prominent figures that attended this seminar, the broadsheet lists the Communist affiliations of leading spirits. One of these had 45 affiliations, one 36 affiliations, one 43 affiliations, and another 18 affiliations. The most startling aspect of the broadsheet was a photo showing one of the clergymen prominent in the recent racial troubles in the U.S.A., the Reverend Martin Luther King, seated with Abner W. Berry. Berry not only writes regularly for the American Communist paper, the *Daily Worker*; he is a member of the Central Executive of the Communist Party.

Berry commented upon this meeting in the *Daily Worker*: ". . . it is hopeful that while there is a Governor Faubus in Little Rock, there is a Highlander School in Tennessee". It was at the Highlander School that the seminar took place.

Nonsense From Scientists: The Australian Academy of Science has warned that "Unless drastic measures were adopted to overcome the shortage of scientists and engineers Australian development would be tragically hindered and lower living standards would prevail". This statement is typical of the current nonsense concerning science and scientists. Australians could be enjoying a much higher standard of living now without any further increase in the number of engineers and scientists. There is sufficient capital equipment and "know how" available in Australia to provide the genuine requirements of the individual with less working hours than at present.

"Australian development" is not some God to be worshipped without any consideration whatever of purpose. The true purpose of all production is consumption. This fundamental truth requires constant repetition just now.

Economics and Politics: We have often drawn attention to the fact that politics are to a very great extent dominated by what are accepted as economic "axioms". The following report in the Melbourne *Sun* of December 2 provides an example:

"Today the main single force behind Labor's re-election (in New Zealand) is the manufacturer.

"In the 14 years from 1935 to 1949, New Zealand manufacturers grew rich and powerful behind the total protection which Labor gave them and their go-slow, unmeticulous workers.

"These manufacturers have wilted before the stream of imports which the Conservative Government has allowed.

"They have helped engineer a return to the good old days by filling Labor's coffers and by urging their workers to vote for 'the party, which keeps your job safe'."

Fluoridation and Apex: For some time Apex Clubs have had a special committee advocating the introduction of fluoridation. There has been keen discussion amongst Apexians on the issue, with a growing volume of opposition. Following the publication in the Melbourne *Herald* of a letter from Mr. French of the Apex Fluoridation Committee, advocating that fluoridation be introduced, a number of people sent Mr. French some anti-fluoridation material prepared by the Victorian League of Rights. Mr. French then wrote to the League's Director, Mr. Butler, telling him that the League's material contained "half-truths" and "un-truths". Also that fluoridation was a wonderful thing supported by the world's "highest authorities".

In a forthright reply, Mr. Butler pointed out that he did not dispute the good intentions of Apexians who thought like Mr. French. But there was great truth in the old saying that the road to hell was paved with good intentions. As Mr. French had taken it upon himself to make assertions concerning the League's "half-truths" and "un-truths" he suggested that he stand behind these charges in a public discussion. There was no response from Mr. French when we went to press.

South Africa's Finance Minister: Two interesting appointments in every government are the men chosen for the portfolios of finance and external affairs. South Africa's choice of a Finance Minister is particularly interesting. He is Mr. J. F. Naude, chairman of the Union Guarantee and Insurance Company Ltd., which, according to the last report, seems to have run at a considerable loss. Even more remarkable is to find

as directors of the African Horizon Insurance Company Ltd., an associate company of Mr. Naude's firm, the following names: Senator Leslie Rubin (chairman), Dr. J. S. Moroka, Mrs. V. M. L. Ballinger, M.P., Professor N. K. Matthews and Dr. N. B. Kuma. The alternate directors are ex-Chief A. J. Luthuli, Mr. J. W. Macquarie, Dr. M. S. Molema and Dr. W. S. Nkomo. As six of the directors and alternate directors are Africans, it would seem that Mr. Naude's associates' application of his Government's principle of *apartheid* is somewhat restricted! Incidentally, Senator Leslie Rubin and Mrs. Ballinger are Natives' representatives in Parliament, while Professor Matthews and ex-Chief Luthuli are at present appearing as accused in the treason inquiry.

Union Guarantee and Insurance Company and African Horizon Insurance Company are linked by both being subsidiaries of African Properties and Industries Ltd. Mr. Naude's co-directors on Union Guarantee and Insurance Company are Messrs. Wolf Heller, Simon Heller, J. E. Williamson, P. Sarembok, A. P. van der Post, S. I. Senekal, M.E.C. Mr. Wolf Heller is chairman and joint managing director of the parent company, African Properties and Industries Ltd., and his brother, Mr. Simon Heller, is his deputy. Senator Leslie Rubin, chairman of African Horizon, is related to the Hellers by marriage. His wife, whose maiden name is Greenstein, is a cousin of the Hellers. Mrs. Rubin is also related to Mr. Morris Greenstein and Mr. Elias Greenstein, who are on the board of African Properties and Industries. It all seems very nice and matey—Jews and Africans combining in a harmonious relationship for mutual profit and advantages. The one curious bird to find in such a nest is the South African Minister of Finance. Those South and East African friends of mine who have deplored my view that there was something fishy about the Union Government may now see more clearly what I mean.

—A. K. Chesterton, in *Candour*. November 22.

A "Paper Drought": The unreliability of the city daily press was recently demonstrated when the Melbourne dailies were featuring stories about drought conditions in the Wimmera, Victoria. On his last tour of the Wimmera, which took him through to Bordertown, Mr. Butler was astonished to see the excellent condition of stock and crops after the reports in the Melbourne press.

This "paper drought" was attacked at the West Wimmera's Wheat and Wool Growers' Association Council meeting in Nhill. Speakers claimed that bank credit had become harder to obtain as a result of the false reporting.

WHAT THE GOVERNMENT BANKING LEGISLATION MEANS

(Continued from page 1)

At present the Central Bank controls the percentages of trading bank deposits by regulation. This was certainly an instrument, which could always be used to restrict the credit creating activities of the trading banks. But the Central Bank cannot at present compel the trading banks to place more than 75 per cent of their total deposits in Special Account, while the proposed legislation would give the Central Bank power to have 100 percent of these deposits placed in the Special Account. The 45 days' notice required would give the trading banks little if any protection.

Not only is it proposed to increase the central bank's control over the trading banks as briefly outlined above; the trading banks are also to be limited in the amount of cash they can use from their Savings Banks as a base for credit creation. If the above facts are considered in conjunction with proposed creation of a new Developmental Bank, which the legislation specifically excludes from the Special Account provisions, it is impossible to escape the conclusion that the total result of the Government's legislation would be to centralise control not only of the volume of credit, but the purposes for which it could be used.

Governmental activities would take increasing priority over private activities. The policy of Socialisation by stealth would be intensified. The Government's legislation should be rejected, not because present legislation is desirable, but because the proposed legislation is one more step in the wrong direction.

£40 FROM HOUSE PARTY

The pre-Christmas house party held at the home of Mr. and Mrs. Eric Butler last Saturday evening was a success in every way. There was a large attendance and a profit of approximately £40 was made. Mr. and Mrs. Butler desire to thank all those who wrote apologising for not being able to attend.

"THE GALLANT ONE HUNDRED"

Mr. Ron Dyason, Campaign Director of the Social Credit Action Group Secretariat, and Mr. A. Savill, Director of Finance, report that there has been a magnificent response to the recent financial appeal. Over £700 has been donated so far. The self-assessment scheme now guarantees a regular income of £20 per week, which is a big improvement on last year. However, the Directors of the Action Group Secretariat draw attention to the fact that this regular income has been guaranteed by only 100 supporters, many of whom have increased their guaranteed contribution. While it is appreciated that a large number of supporters cannot commit themselves to a regular contribution, it is felt that the sacrificing example set by "the gallant one hundred" should inspire many more to follow their lead. The Directors believe that the situation is such that at least £40 per week is necessary for the specialised, high level campaigning now getting under way and which will be intensified during 1958. If one hundred can guarantee £20 per week, it is felt that it is not too much to ask that the great majority who have not contributed should be able to assess themselves to the extent of another £20 per week.

Mr. Dyason and Mr. Savill thank all those who have responded. Also those who sent letters of encouragement. The Directors are particularly impressed and moved by the number of letters from elderly supporters who have made real sacrifices in order to help finance activities. They again request all those who can support the self-assessment scheme to send in their forms immediately.

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