

THE NEW TIMES

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

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EDITORIAL

Credit Expansion And Inflation

Last week's announcement concerning the necessity of a greater rate of credit expansion by the banking system, is an instructive example of the present arbitrary and totalitarian control of credit policy. And it provides one more example to support our view that we are no longer threatened with a major depression; that the real danger is a policy of "controlled inflation" and the use of centralised control of credit to create the complete totalitarian state in which the individual has no genuine independence.

It is probably true that political considerations had some bearing upon the decision to increase credit. While the policy of credit restriction applied over a year ago, in conjunction with higher taxation, did slow down the rate of price increases, it also had a serious effect upon business, just as we predicted. Some unemployment resulted and the rate of home building declined seriously. There is little doubt that the present Government would at present only be re-elected because of the division in the Labor Party. However, a worsening economic situation next year, with many Australian manufacturers incensed by the increased import of Japanese goods, could result in a Labor victory. Government leaders are certainly not unaware of this possibility.

While there is no doubt that the new credit policy will give industry "a shot in the arm", it is inevitable that the rate of price increases will also be stimulated. Price increases and the usual agitation for further wage increases could also be an embarrassment to the Government parties. But, while present financial and economic policies are slavishly followed, every Government, irrespective of its label, must progressively inflate with periodic credit and taxation restrictions in an attempt to keep the inflation "controlled". Centralised controls appear to become progressively more "inevitable" as a result of this unreal policy.

The drive towards centralisation can only be halted by examining the policies under which financial credit is expanded, as a prelude to modifying the policies in accordance with clearly defined principles. There is nothing mysterious about how the policy of credit expansion is to be implemented. It is simply a question of bookkeeping. As we explained in our last issue, the trading banks create new credit on the basis of legal tender they hold and the credits they have with the Central Bank. As the credits with the Central Bank, which are regarded as "cash at call", are the main

basis of credit expansion by the trading banks, the percentage of these credits "frozen" or "unfrozen" by the Central Bank determines the amount of new credit created and loaned by the trading banks. At present the Central Bank is holding £340 million of trading bank credits, which are frozen. But a proportion of these credits, not yet publicly announced, will be "unfrozen", thus providing an expanded base for credit creation which is simply a matter of writing figures in books.

The fact that the supply of money in the community must be increased is a tacit admission that there is a shortage of purchasing power at present. By a process of bookkeeping the volume of money is to be increased. But both practical experience and analysis of the financial-costing system prove that the expansion of the money supply, mainly through new capital production, will certainly stimulate consumer demand almost immediately, thus providing business with a "shot in the arm", while

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CHRISTMAS GREETINGS

We wish all our readers a Merry Christmas and a Happy New Year. We thank all those who have persistently maintained their faith during 1957 and trust that they will re-dedicate themselves to continue serving the cause of Truth in the trying times ahead.

NEWS SECTION

Professor Arndt On Banking Legislation:

Professor H. W. Arndt, Professor of Economics at the Canberra University, a Fabian Socialist product of the London School of Economics, has confirmed our views concerning the true nature of the Federal Government's proposed banking legislation. Addressing the Constitutional Association of Australia in Sydney last week, Professor Arndt expressed the view that the legislation would have "improved" the Australian Banking structure. Although he drew attention to certain "undesirable" features of the legislation, which he was glad had been defeated in its present form; he revealed the truth about the legislation when he said:

"I believe it was wrong of the Federal Government to appear to give in to the lobbying of the banks and the pressure from a doctrinaire section of its supporters for changes in the banking system which it knew, as a responsible Government, it could not undertake. It was hardly less wrong to throw dust into the eyes of the banks and their supporters by pretending to give into their demands and then to produce a piece of legislation which, if anything, did the opposite of what the banks really wanted." (Vide *Melbourne Age* of December 10.)

D.L.P.'s Ignorance On Banking: An "Information Bulletin" issued by the Victorian Central Executive of the Democratic Labor Party, in which this Party's views on the Government's banking legislation are outlined, clearly indicates that Senator McManus and his associates have little understanding of the mechanics of credit control. But this "Information Bulletin" provides further evidence of the falsity of the claim by the D.L.P. that it supports decentralisation of power. It is hypocritical humbug to talk about decentralisation while at the same time supporting centralised control of credit.

The D.L.P. advocates "one vital principle" concerning banking: "that the Commonwealth, through the Reserve Bank, shall determine the volume and the direction of credit throughout the Commonwealth". This is open support for an extension of the Monopoly of Credit at the expense of the individual. In a genuine democracy, "the direction of credit" would be controlled by those who own the credit, the individuals who comprise the community.

Further evidence of the totalitarian credit policy advocated by the D.L.P. is to be found in the statement that "the development of the Commonwealth Bank . . . should . . . not be restrained by the influence of competitive banking". Support is given by inference to the proposed Developmental Bank, but the remarkable statement is made that "An assurance should be given by the Government that adequate funds would be made available to the

Development Bank". The only conclusion to be drawn from this is that the D.L.P. believes that the Development Bank would only lend money deposited with it. The Development Bank would, of course, create its own credit.

And, as we pointed out in our analysis of the banking legislation in our last issue, it is proposed that this Bank be free of the limitations placed upon the trading banks.

The D.L.P. makes much of the hire-purchase activities of the trading banks, which it claims are a "skilful evasion" of central control by the Commonwealth. The major factor, which compels consumers to make increasing use of hire-purchase schemes, is the fact that total income in the hands of consumers is not sufficient to meet total prices of consumer goods in the shops. But the D.L.P. appears to be unaware of this fact. It deals with effects instead of dealing with causes. If it were not for the new credits being made available to consumers through hire-purchase schemes, there would be a major depression. We are not supporting the hire-purchase system in any way. But we are concerned with ensuring that effects are not magnified to the extent that they obscure any understanding of causes.

Our summary of the party political debates on the Government's banking legislation is that all the parties support the Monopoly of Credit as a fundamental policy. The only real disagreement — apart from the political make-believe — is on methods of imposing a policy of monopoly.

Pornographic Magazines and "Full Employment": The increasing publication of pornographic magazines is symptomatic of the times in which we live. We agree entirely with trenchant criticism of these magazines by Church leaders and others. But these same critics are silent on the much more destructive and warping effects of an economic system, which is based on the lie that the purpose of the production system is to provide "full employment", not goods and services desired by individuals. The policy of "full employment", and the insistence that no-one is entitled to a monetary income unless he works, has had a most blighting effect upon the human personality. So long as this policy, and the anti-Christian philosophy in which it is rooted, are generally accepted, useless and evil production of all types, including pornographic magazines, will continue. And it will be supported on the basis that it provides employment, distributes incomes, including those dividends paid out of profits.

Disastrous Advice From Copland: Professor Sir Douglas Copland is without doubt one of the greatest menaces ever suffered by the Australian people. When he recently met a Press Panel in Melbourne he again advocated that Australia should recognise

Red China. He has apparently learnt nothing since the time when he spread the Communist propaganda "line" about the Chinese Communists being "agrarian reformers" and not true Communists. He now offers the following gem: "Our task is to win the respect of the ancient civilisations in Asia, and we will not get that by pursuing a line which offends them". This means that we must never do anything offensive to the Communists, and ignore the fact that the directors of the Communist conspiracy work diligently for our destruction. Fools like Copland assist them, even if the assistance is given unconsciously.

On the subject of Indonesia the Professor also offered advice, which every Australian realist will reject with contempt. Professor Sir Douglas Copland said, "Australian aid to Indonesia should continue, despite what the Indonesians were doing to the Dutch". The fact that Indonesia may be on the verge of passing under direct Communist control must not prevent Australians from being sacrificed in order that economic aid may be sent to help the political gangsters now running Indonesia. If, of course, Sir Douglas Copland and those who think like him are so enthusiastic about Australian economic aid for Indonesia — and Red China — there is nothing to stop them sacrificing themselves immediately in order to send economic aid.

Wool Prices And Credit Restrictions: The current policy of a higher bank rate and credit restriction in Britain is the major factor in the serious decline in Australian wool prices. Restricted buying by British buyers is being used to help the campaign to further Australian wool exports to Red China. This provides further evidence of the dominating influence of credit policy in human affairs.

Little Rock Upset: After all the sensational reports published in the Australian press about the alleged conspiracy of the anti-segregationists to create acts of violence in Little Rock, the Federal Bureau of Investigation report must come as a great anti-climax. The F.B.I has not been able to produce any evidence that there was a conspiracy. The real truth about Little Rock has been gradually coming out and confirms all the previous objective reports we have published.

Oppression in Indonesia: Communist strategy is "going to plan" in Indonesia. It is helped by the general failure in Australia and elsewhere to understand that it is a dangerous farce to continue speaking about Indonesia as a national unit. Why, for example, does not Australia back the demand for independence by the Moluccans, who, although promised the right of self-determination in the Round Table Pact when the Dutch transferred their power, were oppressed militarily by the Javanese? The Moluccans, many of whom are Christians, have bitterly fought for their independence, even trying to get the United Nations

to take up their case. It is high time that there was some old-fashioned straight talk to the gangsters calling themselves the Indonesian Government. We might at least get a little respect in this way.

Upper Houses and Democracy: When Mr. T. Dougherty, Trade Union official, was recently elected to the N.S.W. Legislative Council; he was given wide publicity for his attack on the Council in his maiden speech. The following letter in *The Sydney Morning Herald* of November 16 was a brief reply to Mr. Dougherty:

"Sir, —Mr. Dougherty's indignation about the Upper House seems to arise from some idea that its existence is an outrage on democracy. The following observations are offered on the subject.

"Democracy was served in 1932 by converting it from a nominee Chamber of 122 members into an elective Chamber of 60 members, elected by an electoral college of members of both Houses on the basis of proportional representation.

"This form of indirect election was decided upon after careful consideration of other constitutions throughout the world, was accepted after the fullest debate by both Houses of Parliament, and was subsequently approved on referendum by the popular vote, and at the two subsequent general elections of 1935 and 1938.

"The wanton attack made by the new member on the work of the Upper House also calls for some notice. It dealt with 103 bills in the first session after the reform. It amended 42, inserting in all 418 amendments, nearly all of which were accepted by the Assembly.

"Many similar illustrations could be given, but two in particular should be borne in mind by all who understand the importance of safeguarding our major industries.

"The first is the Settlement Promotion Tax Management Bill, 1943, which in reality sought to confiscate the whole of the pastoral industry outside the western division. The next is the Building Operations and Building Materials Control (Amendment) Bill of 1947, seeking to nationalise the whole of the building trade and subsidiary trades. The rejection of these bills by the Upper House saved both these industries from complete disaster.

"But perhaps the greatest work of the Chamber was the preservation to democracy of Parliamentary sovereignty by refusing to sanction in two Local Government Acts the grant of power to the 'Minister' to suspend any Act of Parliament, rule, regulation, by-law, ordinance, proclamation, agreement, covenant, or instrument. This meant that the work of Parliament was to be rendered nugatory by the Minister of the day.

"H. E. MANNING,
"Legislative Council. Sydney."

MCCARTHY'S WARNING ON GUIDED MISSILES

The American conservative publication, *National Review*, has recently drawn attention to the manner in which events are confirming the warnings of the late Senator McCarthy:

National Review recalls that in October 1955, McCarthy prepared a detailed analysis of the United States-Soviet missile race and concluded that the United States was lagging behind. Six months later he addressed the Senate:

Despite all the warnings about Communist guided missile progress, we have still received no assurance from our government that the United States is going all out in an effort to catch up with the Soviet Union. On the contrary, we know that the chief proponent of a "crash" guided missile programme, Mr. Trevor Gardner, lost his job two months ago because he advocated that we go all out . . . (Perhaps) the Executive has recently put the guided missile programme on a "crash" basis and has not told us about it . . . (but) we cannot afford to stake our country's life on a mere hope that the Executive branch is doing what must be done to save it. Congress must know the facts . . .

Therefore . . . I suggest that we set up a Joint Congressional Committee with full subpoena powers to investigate the guided missile programme, and to keep a vigilant eye on its progress. . . . If we are falling behind the Soviet Union in the development of a weapon that may permit Communism to conquer us, then we must find out who is responsible and what has motivated those who are responsible. If executive officials refuse to co-operate with the committee, then the Congress should, by Joint Resolution, direct the Executive to give Congress the information it needs to "provide for the common defence." . . . This investigation must be intensive and exhaustive — and conducted with all possible haste . . .

Publication Programme

This will be the last issue of *The New Times* for 1957. The first issue in 1958 will be published on Friday, January 17. This means a break of one issue for the holiday period.

If our fortnightly publication programme had been maintained, this issue would have been published on Friday, December 27. As it was felt that many people would then be on holidays, it was decided to publish a week earlier. However, this has meant that we were unable to supply the Article Section with this issue. The Article Section will appear in the next issue.

Although we had planned to produce the Article Section regularly in every second issue, it is now probable that as part of our new high-level campaigning in 1958 we shall be able to publish the Article Section more often.

It is also proposed to continue publishing from time to time material concerning soil, food and health. We make this announcement in response to numerous enquiries.

OFFICE CLOSED OVER HOLIDAYS

The New Times office will be closed from Friday, December 20, until Monday, January 13. Readers are asked to note these dates carefully, as last year many could not understand the delay in replying to correspondence received over the holiday period.

CREDIT EXPANSION AND INFLATION

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at the same time increasing the necessity for even greater "shots in the arm" later.

The progressive expansion of new credits through further capital production, both private and public, simply means that this production has, under present financial-costing rules, to be recovered in the future through prices or taxation. This simply means further inflation. What is required is an acceptance of the fact that new credits for consumption can and should be made available *without first increasing capital or wage costs*. It means nothing more difficult than a change in present bookkeeping. How can this be done? Simply by the Government allocating the volume of new credit it believes necessary for the next twelve months, to a programme of subsidising major consumer items in the economy. This would be a genuine increase in purchasing power with benefit to all sections of the community, including those living on savings and pensions.

There is no practical reason why a start towards genuine decentralised credit control should not be made as suggested. The basic facts are clear: There is adequate consumer production, or easily could be, in every sphere on the economy. It is admitted by inference that an increased volume of new financial credit must be created to enable consumers to buy existing production and to keep producers and retailers solvent. The question is whether the new credit is to be applied directly towards stimulating consumption without increasing prices, or whether the price of making this credit available is to be unnecessary capital production and further inflation. It is as simple as that.