

THE NEW TIMES

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

Vol. 31, No. 2

February, 1965

EDITORIAL

DISARMING THE BRITISH COMMONWEALTH

C. H. Douglas always insisted that the British Labor Party, dominated by the Fabian Socialists, was the main instrument through which International Finance pursued its policy of forcing the British people to surrender their effective sovereignty. Nationalisation is a form of economic disarmament, depriving the individual of the means of defending himself against those seeking to exercise complete power over him. Military disarmament is the ultimate betrayal of the individual when national sovereignty is threatened by an international tyranny, which, if made effective, would put back the clock of civilisation thousands of years.

Mr. Harold Wilson, Britain's Socialist Prime Minister has lost no time in making it clear that he favours disarmament. And that, as Douglas said, the Socialists are fervent supporters of the type of financial orthodoxy, which has enabled disastrous policies to be imposed upon the British people. Obsessed by the "favourable balance of trade" dogma. Mr. Wilson argues that his attack upon the British aircraft industry is essential; that the British cannot "afford" to build their own planes, and that it is preferable that the Americans should build them for them. Freed from the pernicious influence of bureaucracy and centralisation, there is no realistic reason why the British cannot equip themselves with the planes necessary for their own defence. To rely upon American producers means surrender of control of policy to those who control American policy. Unfortunately, those who control American policy are also determined ultimately to make surrender to international tyranny.

Commonwealth Should Be Independent Force

Now as never before, the nations of the British Commonwealth should be pursuing policies designed to make them a genuinely independent force in world affairs. Adequate means of military defence is a first essential, and financial and economic policy should be subordinated to the achieving of this objective. But the big idea is to foster the concept of disarmament by the British Commonwealth. Mr. Wilson's Minister for Disarmament, Lord Chalfont says that Britain is going to take the lead in putting forward new ideas for disarmament. Canada's Prime Minister Mr. Lester Pearson is making his contribution towards the creation of international tyranny, by advocating that the Commonwealth should make available their armed forces to an international "peace" force. The Australian and New Zealand Governments have not as yet formally committed themselves to this project. But it has supporters in both countries. In the U.S.A. there are powerful groups working towards the objective of a progressive surrender of national control of the nation's armed forces to an international body. It is clear that there is a consistent programme designed to force the British Commonwealth and the U.S.A. to surrender control of national armed forces.

The extent to which the Wilson Government is prepared

to go with a disarmament policy was demonstrated by the threat to refuse to supply the Buccaneer aircraft to the South Africans. Although Mr. Wilson eventually agreed that Britain would honour the agreement to supply the Buccaneers, the South African Government has subsequently cancelled valuable military equipment contracts with Britain. The threat by the South African Prime Minister, Dr. Verwoerd, to cancel the Simonstown Agreement, should the Wilson Government refuse to supply the Buccaneers, has caused many to ask what this Simonstown Agreement is about. Australians and New Zealanders should be vitally interested.

Importance Of Simonstown Base

The Simonstown Agreement provides Britain and her allies with unfettered use of the Simonstown naval base, irrespective of whether South Africa was involved or not. There are three water routes between West and East: The Suez and Panama Canals, and around the Cape of Good Hope. Both the Suez and Panama Canals can easily be disrupted in time of war, as was shown during the 1956 Suez crisis. During the Suez crisis, an average of 300 ships rounded the Cape of Good Hope daily. Many used bunkering facilities at South African ports. With the former Ceylon base lost to the Royal Navy, Singapore regarded with suspicion after the 1941 debacle, and islands in the Indian Ocean ruled out for many reasons, the Simonstown base is seen to be of tremendous importance.

As the main menace to Western shipping using the Cape of Good Hope route in war time would be hostile submarines, and as South Africa has no aircraft carriers, land-based planes capable of low-level strike are vitally important to enable South Africa to fulfill her obligations under the Simonstown Agreement and to meet external aggression. The Buccaneers were ordered for these reasons. The Wilson Government's threat not to supply them can only be regarded as a deliberate threat to sabotage Commonwealth security. It is not without significance that about the same time that Mr. Wilson was speaking harshly about South Africa — and Southern Rhodesia — he was talking about greater exports to Russia and China. His preference for the two Communist nations in preference

Continued on page 8

SOLVING MUNICIPAL GOVERNMENT'S FINANCIAL PROBLEMS

Inflation is a worldwide problem, indicating that it is one of the inevitable and destructive results of all nations, irrespective of the label of their Governments, pursuing the same type of financial and economic policies. Inflation bears heaviest upon small-scale economic units and Municipal Government, constantly feeding the drive towards economic and political centralisation.

Late last year many Municipalities throughout Australia said that they had no alternative to a further increase in rates — in order to meet "increased costs". From time to time Municipal Councillors talk about a "better financial deal" for Municipal Government, an important element in the governmental system of all self-governing countries. But first a realistic programme must be put forward.

Following upon several conferences on Local Government finance at Yarra Glen, Victoria, of representatives of a majority of the Municipalities of the Federal Electorate of Deakin, a well-attended conference of representatives of ratepayers' organisations from the Deakin Electorate met prior to the 1958 Federal Elections and endorsed the policy of Local Government organising on a Federal Electorate basis in an endeavour to persuade individual Federal Members to press for greater financial sovereignty for Local Government.

It was also agreed by the ratepayers' conference that a special committee be established to make an exhaustive examination of all aspects of Local Government finance, with particular reference to the problem of increasing debt and the proportion of rates required merely to meet interest charges. The special committee of five took six months to assess all the information and evidence placed before them.

After lengthy discussion at the Yarra Glen conference on May 18, it was agreed to accept Part One of the Report as an Introduction to Part Two, and to delete two of the special committee's recommendations.

As the Yarra Glen Report has been out of print for some time, and as it does present a realistic approach to the problems of Municipal finance, we are republishing the major portions of the Report:

INTRODUCTION

When members of the Committee started to consider the task set them by the Yarra Glen Conference of Deakin Electorate Ratepayers' organisations, they soon realised that no realistic appraisal of Local Government finance was possible without a consideration of national finance. Any recommendations for improving the position of Local Government finance would be open to serious criticism unless those making the recommendations made it clear that they were fully aware of the full implications of their proposals. In order that members of the Committee could be fully informed on the basic facts of national finance, the Secretary for the Committee wrote to a number of recognised authorities seeking specific factual information concerning banking and economics. The basic fact to emerge from an examination of the information supplied is that the productive capacity of a nation, which might be termed its real credit, is controlled by the creation and issue of financial credit through the banking system. As explained in this Report, the centralised control of credit policy by the Commonwealth, and the Commonwealth's

virtual monopoly of the taxation field, places Local Government in the position where it is subordinate to Commonwealth policy. In a genuine democracy, control of policy, not only political, but also economic, must be exercised by the individual members of the community. For this important reason the Committee rejects any suggestion that ratepayers should be forced to suffer a reduction in their standard of living as a result of trying to finance Local Government capital development out of rate increases, and recommends as a fundamental principle that ratepayers through their Local Governments should have more effective control of how the nation's productive capacity - - the real credit — is to be used. If it is assumed that the nation's total productive capacity is at present being used approximately to its maximum (it is readily agreed that some would contest this assumption) it is clear that any increased use of this productive capacity for local government must mean a reduction in activities by the Commonwealth and State Governments. Ratepayers must face the fundamental fact that any programme for increasing the financial sovereignty of Local Government must inevitably bring it into conflict with the Commonwealth which, as the history of Federation proves all too clearly, never surrenders voluntarily any powers it has centralised. As finance is the instrument through which centralised control is exercised, this Committee has decided that its Report should be divided into two parts; one dealing as simply as possible with the actual mechanics of the financial system as a necessary background to the recommendations suggested in part two.

It is not suggested that the recommendations in this Report would, even if all were introduced, produce the most desirable permanent relationships between Local Government and the Commonwealth and State Governments. But the Committee is certain that they would be major steps in the right direction of greater responsibilities and increased financial sovereignty for Local Government. This would mean a higher status for Local Government and a stimulus to democratic self-government at a time when many people have become cynical about the democratic idea. And it is not too much to hope that increasing satisfaction in Local Government would soon be reflected in a healthier state of national life.

PART ONE — NATIONAL FINANCE CONTROL OF THE CREATION OF MONEY

As will be seen by the authoritative statements quoted, the bulk of the nation's money supply is created by the

banking system in the form of what is generally called bank credit. Every loan or overdraft, whether extended to individuals or to Governments, is a creation of entirely new money (credit) and is a clear addition to the amount of money in the community.

Legal tender—notes, silver and copper—is created under the authority of the Commonwealth Bank, but less than five percent of business in Australia is done with legal tender. It is only the "small change" of the nation.

The Committee has had its attention directed to the following authoritative and self-explanatory statements concerning the creation of money in the form of bank credit.

Sir. R. Kindersley, C.B.E. (Director of Bank of England), in Harmsworth's Business Encyclopedia": —

"Deposits—Deposits of the commercial and private banks amount to about £2,000,000,000, but this large total has not, of course, been created by the deposit of actual cash, but has resulted in great measure from Credit created by the banks by the lending of money. The difference between actual cash in its own till, plus its balance at the Bank of England (i.e. Bank Reserves ten percent to fifteen percent of its deposit liabilities), which are Bank Reserves, and the total of the deposits, represents approximately the extent to which the Bank may be said to have manufactured deposits by the Creation and Sale of Credit (Money)."

Governor Eccles, one-time head of the Federal Reserve Bank Board of the United States, said: —

"The banks can create and destroy money. Bank credit is money. It's the money we do most of our business with, not with that currency which we usually think of as money."

(Given in evidence before a Congressional Committee.)

Mr. R. G. Hawtrey previously Assistant Under-Secretary to the British Treasury, in his "Trade Depression and the Way Out," says: "When a bank lends it creates money out of nothing."

In his book, *The Art of Central Banking*, Hawtrey also wrote: —

"When a bank lends, it creates credit. Against the advance, which it enters amongst its assets, there is a deposit entered in its liabilities. But other lenders have not this mystical power of creating the means of payment out of nothing. What they lend must be money that they have acquired through their economic activities."

Lord Keynes, the economist, and wartime Governor of the Bank of England, states: "There can be no doubt that all deposits are created by the banks."

Professor A. L. G. Mackay, the well-known Australian economist, has stated in his text book on *Economics*, that:

"In this way, by means of a loan, an advance, an overdraft, or by the cashing of bills, the banks are able to increase the volume of deposits in the community, and because of this process it is not correct to say that a bank

loans out deposits which people make with it. **It is clear that it creates the deposit by the issue of the loan; the loan travels back to the bank or to another bank and assumes the form of a deposit.**" (Emphasis supplied).

In 1939 the Canadian Government's Committee on Banking and Commerce exhaustively questioned Mr. Graham F. Towers, at that time Governor of the Central Bank of Canada, on banking practices. The following are extracts from the Minutes of Proceedings and Evidence Respecting the Bank of Canada: —

"Question: But there is no question about it that banks create the medium of exchange?"

Towers: That is right. That is what they are for . . . that is the Banking business, just in the same way that a steel plant makes steel."

The following are further statements by Governor Towers: —

"Each and every time a bank makes a loan (or purchases securities), new bank credit is created—new deposits—brand new money." "Broadly speaking, all new money comes out of a Bank in the form of loans."

Mr. Towers then made the following important point: —

"A government can find money in three ways; by taxation, or they might find it by borrowing the savings of the people, or they might find it by action which is allied with an expansive monetary policy, that is borrowing which creates additional money in the process."

The Committee directs special attention to this statement because it is directly related to the question of obtaining adequate finance for Local Government.

Giving evidence before the New Zealand Royal Commission on monetary systems in 1955, Mr. H. W. Whyte, Chairman of the Associated Banks of New Zealand, stated in answer to questions that banks create new financial credit when making loans and advances. Mr. Whyte added: —

"They have been doing it for a long time, but they didn't quite realise it, and they did not admit it. Very few did. You will find it in all sorts of documents, financial textbooks, etc. But in the intervening years, and we must all be perfectly frank about these things, there has been a development of thought, until today I doubt very much whether you would get many prominent bankers to attempt to deny that banks create credit. I have told you that they do; Mr. Ashwin (Secretary to the Treasury) has told you that they do; Mr. Fussell (Governor of the Reserve Bank) has told you that they do."

We now turn to a brief examination of the limits on credit creation by the banking system, and how those limits are imposed. The creation and loaning of credit by all banks, except the Central Bank, is governed by what is described as the "liquidity" of the banking system. This simply means the amount of legal tender being held by the banks. Banking practice is that credit should not be expanded substantially beyond ten times the amount of

what is called "cash at call". Now "cash at call" is not only governed by the amount of legal tender manufactured by authority of the Commonwealth Bank; credit created by the Central Bank—central bank credit—is also treated as cash when deposited with the trading banks. The Commonwealth through the Central Bank therefore dictates credit expansion, or restriction, by its policy of creating legal tender and central bank credit. Both private and public borrowing is controlled by the Commonwealth's credit policy.

In order to clarify still further the powers of the Central Government to issue new money in several ways as compared with the limits placed upon State and Local Governments, attention is directed to extracts from *Wealth and Income* by Professor Brian Tew, Professor of Economics, University of Nottingham, and formerly Professor of Economics, University of Adelaide. Tew's *Wealth and Income* is a reference textbook in economics and commerce at the Melbourne University and makes specific references to the operations of the Australian monetary system.

Tew states that "the central government . . . is in the happy position of being able to issue eligible paper, which the central bank is always willing to buy, or alternatively to be able to borrow without limit from the central bank direct. **The central government therefore can always get as much money as it wants by virtue of the privilege accorded to it by the central bank.**" (Emphasis supplied).

The Commonwealth makes considerable use of Treasury Bills, which are I.O.U.'s created against the whole nation's credit, to obtain new financial credit. It is not generally appreciated that many Commonwealth Loans are used, not to finance public works as claimed, but to redeem outstanding Treasury Bills. And comparatively few subscriptions to any public loan are from genuine savings, the bulk of the loans coming from a further expansion of credit. It is not felt necessary to outline in detail the mechanics of this, but merely to draw attention to the basic facts.

Although it is a popular fallacy that heavy taxation was imposed during the war primarily to finance the war effort, the facts, as stated by Professor L. G. Giblin in his history of the Commonwealth Bank from 1924-1945, *The Growth of a Central Bank*: "The (Commonwealth Bank) Board in 1942 recognized that a great expansion of central bank credit was necessary to finance the war and this expansion took predominantly the form of discounting Treasury Bills" (p. 309). Heavy taxation was imposed mainly for psychological reasons, as revealed by a former Federal Minister, and as an instrument of financial control to prevent "excess purchasing power" accumulating in the hands of private individuals.

Attention is drawn to this important historical fact because with the enormous expansion of Central Bank credit to finance vast Federal Government's activities during the war, and the continuation of this policy of Federal spending after the war, those economic advisers advocating a greater degree of centralised governmental

financial control were able to justify 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", and the consolidation of this control in the Chifley Government's 1945 Banking Legislation and the Menzies Government's 1959 Banking Legislation. Party political controversy should not be allowed to obscure the basic fact, recognised by every objective student of economics, that the present Federal Government's Banking Legislation does not weaken in any way the central control of the expansion of financial credit through the banking system. This point has been candidly admitted by Canberra economist Professor H. W. Arndt, a political opponent of the Government.

As already explained, the amount of new financial credit, which the trading banks can create to loan to individuals, organisations, Local Governments, and semi-Governmental instrumentalities, is governed by their holdings of cash and Central Bank credit. And these holdings are dictated by the policy of the Central Bank and the Federal Treasury in deciding just how much cash and Central Bank credit is to be created and how much of the Central Bank credit obtained by the trading banks through deposits is to be "frozen" and how much is to be available for a further expansion of new credit. A recent "unblocking" of trading bank credits with the Central Bank was part of a policy of credit expansion, which it was felt the economy required.

If the foregoing facts are borne in mind, it will be readily perceived that even when Local Government is permitted to obtain a certain amount of loan money, the availability of this amount is directly related to the Federal Government's current credit policy.

The policy governing money creation in Australia is therefore firmly under control of the Commonwealth and any proposals concerning Local Government finance which ignore this fundamental fact cannot greatly improve the financial status of Local Government.

What principles, if any, govern the Commonwealth's policy of credit expansion?

As far as the Committee can judge from the views, some of them contradictory, of economists and economic advisers to the Commonwealth, the major factor governing the rate of credit expansion generally is the price level.

The subject of prices brings us to the problem of inflation, a problem that no country has solved in spite of periodic policies of restrictive credit and taxation policies.

Although the subject of inflation was considered to be outside the scope of the Committee's investigations, nevertheless it is felt necessary to draw attention to the fact that progressive increases in the general price level must have a serious effect on the future development of Local Government. A study of numerous statements by economists and politicians indicates that what is described as "controlled inflation" is now generally accepted by those controlling national policy.

For various reasons, all inflation bears heaviest upon smaller political and economic units and is a major factor in encouraging the process of centralisation. Measured in realistic terms—i.e. construction work done and satisfactory services given for man-hours expended—Local Government is the most efficient sphere of Government in Australia. But increasing financial costs as a result of a national policy of progressive inflation must inevitably lead to suggestions that Local Government be centralised, allegedly in the interests of financial efficiency. We conclude our brief observations on this question by drawing attention to the glaring contradiction between the facts that real costs—i.e. man-hours worked per unit of production—of production in all spheres, Governmental and private, have been reduced with the introduction of power-driven machinery while at the same time prices have steadily increased. While a solution to this problem obviously is a national question, bodies primarily concerned with Local Government can make a valuable contribution to the solution by encouraging ratepayers to keep the realities of the situation firmly fixed in their minds.

PART TWO — RECOMMENDATIONS LOAN FINANCE AND CAPITAL WORKS

Apart from actually raising the amount of loans permitted by the Loans Council. Local Government finds itself faced with the problem of how to service the debts which loan programmes involve. A survey of Local Government indebtedness reveals that already a big percentage of rates go merely towards paying interest and principal charges.

In seeking a solution to this problem the Committee feel that three fundamental principles must first be discussed and established:

Commonsense and natural justice challenge the idea of using current taxes and rates to finance capital works which as in the case of roads, may last for fifty or more years. New capital works should be financed out of new credits created for the purpose.

- (2) The repayment of the credits for capital works should bear a direct relationship to the estimated life of the works. This means that a policy of long term credits for capital development is necessary to ensure that financial book-keeping reflects physical facts and that the present generation is not asked to make sacrifices for the benefit of future generations.
- (3) Local Government rates should not be used to any great extent to finance new construction, but should be devoted primarily to administration, maintenance, and the servicing of the charges against capital construction in accordance with the principle contained in the recommendation on loan finance and capital works.

Implementation of the above three principles would go a long way towards solving the basic problem of Local Government finance. But it will be immediately pointed

out that even long-term credits for new capital construction leaves untouched the problem of the interest burden. In dealing with this question it is necessary to refer back to the factual information on credit creation provided in Part One. The actual cost of creating Central Bank credit is small and it is submitted that a share of this credit should be made available to Local Government for the actual cost of creation and administration.

This Central Bank credit is not actual cash saved and loaned by individuals who can claim a dividend on their investments, but is new credit created against the assets and real credit of the whole community. The community should therefore carry no more than the cost of administration, which according to banking authorities is less than one percent. Charges in excess of this merely increase the profits of the Central Bank—a public utility—at the expense of ratepayers.

In support of the above proposal the following extract from the Australian Royal Commission's Report on Banking (1957) is submitted:

"Because of this power (of credit creation) . . . the Commonwealth Bank . . . can lend to the Governments or to others in a variety of ways, and it can even make money available to the Governments and to others free of any charge . . ." (Section 504). Subsequently Mr. Justice Napier, Chairman of the Commission, expanded upon the last clause of the above statement as follows: "This statement means that the Commonwealth Bank can make money available to Governments or to others on such terms as it chooses, even by way of a loan without interest, or even **without requiring either interest or repayment of principal.**" (Emphasis supplied).

Local Government is engaged in constructing national assets, such as roads, which increase the real credit of the whole nation and the financing of the construction of these assets should not result in a big proportion of present ratepayers' rates being used to provide benefits for future ratepayers. It should be noted that the reference to road construction excludes private streets, although some thought might be given to applying the principles embodied in the following resolution.

RECOMMENDATION: That all new Local Government capital works — roads, bridges, buildings, etc. — be financed by new financial credits from the Commonwealth through the Commonwealth Bank, the credits to be made available at the cost of administration and to be repaid at a rate directly related to the estimated rate of depreciation of the assets financed by the credits.

As an addendum to the above recommendation, some consideration may well be given to the necessity of Local Government preparing a proper balance sheet every year which shows not only receipts and expenditure, but also all capital appreciation and depreciation. A proper balance sheet would clearly show how the real assets of Local Government are increasing. This vital information is not computed at present.

LOCAL GOVERNMENT AND THE CONTROL OF CAPITAL INVESTMENT

Implementation of the recommendation in the foregoing section depends, of course, upon devising an effective mechanism through which Local Government can exercise some real control over priorities in the field of capital development. At present the Commonwealth exercises the major control, primarily through the Loan Council. Yarra Glen Conferences of Deakin Municipalities have urged that Local Government be given direct representation on the Loan Council and this appears to be the most realistic objective at the present time. However, whatever mechanism may be proposed for giving Local Government more control over capital development priorities, it must inevitably, as explained in the Introduction to this Report, bring Local Government into conflict with the Commonwealth.

RECOMMENDATION: That Local Government be represented on the Loan Council.

PAY-ROLL TAX

Pay-roll tax continues to be levied upon Local Government by the Commonwealth in defiance of elementary common sense. A study of Federal Parliamentary debates reveals that even after a number of speakers on both sides of the House have attacked the continued imposition of this tax, and presented an unassailable case for its abolition on Local Government — Government spokesmen have offered no defence but talk vaguely about "investigation". Reluctance to abolish the tax is clearly another case of a reluctance to relinquish even the smallest degree of centralised power.

RECOMMENDATION: That the campaign to completely abolish the Pay-roll tax on Local Government be continued.

RATE RELIEF AND SOCIAL SERVICES

There is increasing evidence that Local Government is being progressively embarrassed by requests for rate-relief by various pensioners. The fact that Local Government representatives, who are much closer to the electors than politicians, feel it necessary to grant rate relief and reductions in pan and garbage rates, is evidence that many pensioners urgently require the protection given to them by Local Government. But in providing relief to pensioners Local Government is in fact subsidising Social Services out of its own inadequate revenues.

RECOMMENDATION: That local Government estimate each year the total amount of Social Service subsidy paid to pensioners each year in rate, pan and garbage relief, bring it to the attention of Federal Members, and request them to press for a special Commonwealth grant to recompense Local Government for the subsidy.

EXPENDITURE ON HEALTH SERVICES

Local Government is being asked to accept more responsibilities for various health services — baby health centres, immunisation campaigns, etc. — but at the same

time is expected to help finance these services out of rate revenue. Many Municipalities have complained bitterly about the position, but have been reluctant to take a strong stand because they do not want to jeopardise in any way the health of the people. It should be noticed that health services benefit the whole community, not only ratepayers.

RECOMMENDATION: That all services rendered by Local Government under the Health Department be paid for in full by the State Government.

ROAD GRANTS

Several Victorian Municipalities have urged in recent years that the proportion of Local Government contributions towards Country Road Board Grants was such that in many cases advantage could not be taken of grants offering without increasing rates. At present Local Government contributes from twenty to twenty-five percent of grants. Although it is readily agreed that Local Government should make some contribution to match these grants, the fact must not be overlooked that the grants come from money originally contributed by the taxpayers. It is not reasonable to tell the ratepayer that he can only get more of his own money back by paying more in rates.

RECOMMENDATION: That Local Government's contribution towards road grants be reduced to ten percent.

STATE BANKING POWERS

In considering ways and means of increasing the financial sovereignty of Local Government, it should be carefully noted that the establishment of Savings Banks by the trading banks in recent years has been designed to try and break to some extent the restrictions of the Federal authorities. Every pound of cash deposited in their Savings Bank enables the trading banks to create and loan new financial credit in accordance with accepted banking practice. The Committee draws attention to this matter as a prelude to recommending that the Victorian State Government be asked to change the status of the Victorian State Savings Bank to that of a Trading Bank in order that the Bank may be used to create new credit and thus be used to try and offset centralised financial control from Canberra. The present Chairman of the State Savings Bank has already recommended that the Bank's status be changed. Constitutional and banking authorities are agreed that the States can establish, or permit to be established, trading banks. The potential credit power available to the States may be judged by the fact that since the Rural Bank of N.S.W. was changed from a Savings Bank to a Trading Bank in 1948, its assets have jumped from £37 million to £69 million.

RECOMMENDATION: That the Victorian Government expand the functions of the Victorian State Savings Bank to include credit creation and other trading bank activities, and that it use the Bank in every possible way to try and offset Commonwealth financial restrictions on both State and Local Government.

REALISTIC POLITICAL ACTION

Last October, Ballot-Box Democracy gave its verdict, and the electors of Britain did the best they could when confronted with a hopeless choice between unwanted evils. Before current events can sweep away the memory it is worth placing on record some extracts from a contemporary assessment of the Election by Richard Rose, Lecturer in Government in the University of Manchester, as printed in *The Times* of October 17th, 1964:

"The bare Labor majority in the new Parliament was won as a result of a marked fall off in Conservative support. With 621 results reported, the Labor vote was 44.2 percent, 0.3 percent higher than in 1959. The Conservative vote was down 5.8 percent to 43.5 percent, a fall greater than any party had experienced since the 1945 general election."

The article continues:

"The estimated turnout of 77.1 percent is lower than that of 1959 by 1.8 percent. It confounded expert opinion that anticipation of a close result would lead electors to turn out in greater numbers."

It is clear, therefore, that the most disastrous and shameful British Government of the Century, up to that time, was dismissed from office by less than six people per hundred who withdrew their vote from the Conservative Party without giving it to the Labor Party, which formed the only possible alternative Government. So much, then, for the powerlessness of the minority! It is also clear that more than a fifth of the electorate refused, or at least did not think it worth the trouble, to make a choice between any of the variants of the agreed all-party policy which was set before them; and that the Government which now misgoverns us does so with the initial approval of less than half of those who bothered to vote, in fact about a third of the electorate, and by virtue of a preference of less than one voter in 100 who, even after 13 years of Conservative misrule, which included the disgraceful episode of Suez, the betrayal of our friends in Africa, the attempted sell-out to the Common Market, and the Profumo scandal, were persuaded to imagine that a Labour Government could scarcely do worse, and might do better.

It is probable that this tiny majority is already disillusioned. Within a few weeks the Labour Government has achieved the apparently impossible task of making the Conservatives look, by comparison, preferable. One of its first actions was to break faith with our friends in E.F.T.A., the economic alternative to the Common Market, by imposing a 15% import duty which contravened the terms of no fewer than nine treaties (listed by Lord Rhodes in the House of Lords). Moreover, the price paid for the foreign financial support for the £ is not generally realised. The quotation, which follows, is taken from an article on the Financial Crisis in *The Sunday Times*, November 29, 1964, page 33:

"—When Sir Denis Rickett, head of overseas finance at the Treasury, went to Paris to negotiate O.E.C.D.

cover for Britain's stand-by credit with the International Monetary Fund, he was forced to accept the condition: no special treatment for E.F.T.A." On page 32 of the same newspaper, there is an article by Michael Shanks, Economic correspondent, who says this: "The fact is that under a Labour Government Britain is more thoroughly in pawn to international finance capital than at any time since the war. He who pays the piper calls the tune. It is an illusion to think that the Government can conduct its internal economic and social policy without reference to the views and expectations of its foreign creditors."

It should be noted that, though the *Sunday Times* is a Conservative newspaper, its economic correspondent says only that Britain under Labour Government is *more* thoroughly in pawn than under the Conservative Government. Here is one explanation why successive Governments have pursued a policy, both at home and abroad, apparently serving every other interest before that of this country and its people. In fact, policy is dictated by foreign interests, which are, judging them by the results of their influence, the bitter enemies of this country, of its standards and traditions.

This also explains, in part, why, for those who understand the situation, a vote for a Party has become an act of disloyalty, of taking sides against us, and with those who hold our country in pawn and control our Governments. And in case some should think that the Liberal Party provides an honourable alternative, it should be remembered that they were more enthusiastic even than the Conservatives for the European sell-out.

Some people have wondered why One-Party Dictatorships insist on retaining the farce of a "democratic" vote for a single list of official candidates. It is because the act of ritual submission and of sharing the responsibility for the acts of the dictatorship, however much hated, has a psychological effect, which undermines the will to resist it. The act of choosing between almost equally unwanted, dictatorial Governments, serving other interests than those of our country, has a similar undermining effect.

It is surely obvious by now that the idea of "democracy" as an arithmetical game, as a way of providing an arbitrary, impersonal, and therefore irresponsible, numerical "mandate" for a party dictatorship, is not only nonsensical, it can lead only to disaster. The only hope lies in action at the local and at the personal level, and it is astonishing how rapidly such action, if undertaken with courage and persistence, can build up from small things to exert an influence in larger matters and on a greater scale. This is genuine democracy; the power of the people, rather than the *use* of the people's power by the party bosses.

But though the ballot box offers no salvation, it does offer a limited opportunity of indicating our rejection of the alternatives offered, which can also be done through the press and other means. And if a sufficient and growing number of people should do this, in combination with a growing pressure in local affairs, the absurdity of the anonymous numerical "mandate" would become increas-

ingly obvious, and the ideas of responsibility and integrity might be given a chance to return to our public life. The interval which must elapse before the next Election, which is already in sight, does give us time to ensure that the idea of the electoral boycott and of the cancelled ballot is more widely known, and able to exert a greater influence, than it did last October.

Now is the time to press these ideas. We should not wait until the next General Election.

C.G.D. in *Housewives Today*, England, January 1965.

CANADIAN "SOCIAL CREDIT" LEADER JOINS THE SMEARERS

Those Australians who either heard or read the splendid statement on the British Commonwealth by the Canadian political leader, Mr. Robert Thompson, who visited Australia in 1963, will be astonished, and saddened, to learn that the man who spoke about the British instinct for decency and fair play, has collapsed under pressure and has given aid and comfort to the subversive forces attacking the Canadian Christian Action Movement. In a letter to the Canadian Jewish Congress, which has been spearheading the Canadian campaign to have special restrictive legislation passed against "hate mongers", Mr. Thompson viciously smears Mr. Ron Gostick and Mr. Pat Walsh of the Canadian Christian Action Movement, also Mr. Eric Butler. Mr. Thompson's letter is featured in *The Jewish Standard*, Canada, of January 15.

Following the sensational nation-wide campaign directed against the Christian Action Movement when Mr. Butler directed a series of Seminars across Canada early last year, those promoting and directing this campaign continued to adopt different tactics to achieve their objectives. Special pressure was applied to Mr. Thompson, who was urged through the press to state his relationship to the Christian Action Movement. Following the attack on Mr. Walsh and Mr. Butler at Moncton, New Brunswick, where the Lord Mayor was used to precipitate a campaign which even had repercussions in Australia, Mr. Thompson even went on record in letters to state that while not a member of the Christian Action Movement, he supported its objectives. He also said that he was "personally very well acquainted with those individuals who are responsible for the Movement." This, of course, was true.

What, then, happened to Mr. Thompson subsequently? This is the question being asked by many Canadians today. It is understandable that Mr. Thompson, who is deeply involved in party politics, should shun any suggestion of association with "controversial" Christian patriots like Mr. Ron Gostick. But why did he find it necessary to link Mr. Gostick with "certain elements that propagate religious enmity and ill will, elements which have not scrupled to distribute material attacking the Jewish people in a defamatory manner . . ."? Mr. Gostick is a Christian gentleman, as Mr. Thompson knows from association with him. Does he feel that the "Social Credit" Party is going

to get more votes through smearing Mr. Gostick and the Christian Action Movement? Or has Mr. Thompson found that the pressure was so intense that he had to escape from it himself - - even if only by smearing those with whom he had previously associated? Only the future will reveal the answers to these questions.

In the meantime we ask those who insist that there is no conspiracy, no constant campaign to reach a long-term objective, to ponder on the tragic case of Robert Thompson. Here was a politician whom many believed could have proved an outstanding Canadian and Commonwealth statesman. He showed considerable courage on some important issues. But when the agents of the revolutionary forces attacked, he sought refuge at the expense of others. Robert Thompson has in no way discredited those whom he has attempted to smear, but he has discredited himself, which is a great pity. He is not the first politician to act as he has. And, of course, he will not be the last.

DISARMING THE BRITISH COMMONWEALTH

Cont from PAGE 1

to South Africa not only reflects a preference for fellow-Socialists: it suggests that Mr. Wilson feels that the Russian and Chinese markets offer greater opportunities to achieve a "favourable balance of trade."

A Self-Contained Economic Unit

Like the U.S.A., the five members of the British Crown Commonwealth Britain, Australia, Canada, New Zealand and Southern Rhodesia, could be an almost completely self-contained economic unit, obtaining what they cannot readily produce themselves from friendly nations. Export "drives" to achieve a "favourable balance of trade" is only apparently necessary because of unrealistic internal financial and economic policies. These policies make it difficult to pursue realistic foreign policies. But a modification of internal policies would enable the British Commonwealth to have a realistic foreign policy based upon adequate armed force. So far from disarming, both economically and militarily, the British Commonwealth should be doing exactly the opposite. If the British Government were to maintain and, if necessary, increase its nuclear striking forces, promising to make these available at a moment's notice in any part of the British Commonwealth to meet threatened aggression, Mr. Wilson would not need to worry about the Indians and others seeking to make their own nuclear weapons.

In every part of the British Commonwealth, the people should strenuously oppose any policy of military disarmament for financial or other so-called reasons. And they should also resist any attempt to surrender control of what armed forces they have to any international organisation. All proposals for disarmament — until the international conspiracy against civilisation has been eliminated — should be branded as treacherous.