

THE NEW TIMES

Registered at the G.P.O., Melbourne, for transmission by post as a newspaper.

\$6.00 per annum post-free. Box 1226L, G.P.O., Melbourne.

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

Vol. 39, No. 7

JULY 1974

THE LAST CHANCE?

It is now over 50 years since C. H. Douglas, at the end of the First World War, warned that the imposition of centralised money control must inevitably result in the acceleration of the break up of Civilisation, punctuated by convulsions of increasing intensity and destructiveness. The dreadful events of the last half-century have not only resulted in horrors which beggar description, but have been responsible for the dissipation of a cultural and religious heritage to the point where it is now obvious that what is left of Civilisation is being sustained by a capital fast approaching complete exhaustion.

The current worldwide inflation, the most striking feature of the misdirection of the finance-economic system, is producing what could be the last major convulsion, ending with at least the beginning of a reversal of the policies of disaster, or with a collapse into complete totalitarianism.

A student of history has pointed out to us that the Roman Civilisation, which disintegrated primarily because of the same policies, including inflation, threatening Western Civilisation, took a long time to decline. This is true. But it is also true that the rate of decline progressively accelerated until in the final stages the chaos was all embracing. And all the prattling of the self-seeking Roman politicians was futile. So it is today as inflation produces disaster after disaster. The Marxists of all types are loudly proclaiming that events are confirming their basic thesis that "capitalism possesses the seeds of its own destruction." The Socialist, journal of those Australian Marxists who rigidly follow Moscow, claims in its July issue that inflation "is non-existent in the Soviet Union and other socialist lands". But what is existent is a totalitarian system of central planning, which has reduced money to the role of little more than a coupon system. And there are no strikes for higher wages.

RETREATING CONSERVATIVES

The recent electoral shock to the Japanese Government, with a sharp increase in support for the Socialists and Communists, was primarily the result of an inflation rate of approximately 30 percent per annum, and the destruction of thousands of smaller business organisations. Like those calling themselves Conservatives everywhere, Prime Minister Tanaka has been unable to solve the inflation problem. Following the lead of the Australian Liberal-Country Party Opposition, the Canadian Progressive Conservatives attempted to make inflation a major issue in the recent Canadian Elections, but also failed because they could offer no genuine alternative. Mr. Snedden and Mr. Anthony have failed since the Australian Elections to put forward one constructive suggestion for dealing with the inflation problem. They merely state the obvious: that if the Whitlam Government's present credit squeeze

and high-interest policy is continued, Australia will have large-scale unemployment.

Well, they should know! They applied the same policy and suffered the electoral consequences. They even used the same "argument" being advanced by the Whitlam Government to justify higher interest charges: that while it is true that the higher interest charges must go into higher prices, they also reduce demand, so that "in the long run" they contribute towards reducing inflation! It is a frightening commentary on education that apparently intelligent people can believe this type of blatant nonsense.

Any attempts to curb inflation by producing large-scale unemployment are not only doomed to failure, as demonstrated in the United States and the United Kingdom, but produce revolutionary conditions which are exploited by seeking to expand totalitarianism. There is little doubt that just as people have been conditioned to accept as permanent the present high taxation and interest rates, now they are being conditioned to accept a high inflation rate as "inevitable". A statement of the highest significance was made by President Nixon's chief economic spokesman, Mr. Kenneth Rush, on July 10, when he said that the American people would be living with heavy inflation for a long time to come. High inflation "was not going to disappear overnight because the causes were fundamental." A recent study by the American House-Senate Joint Economic Committee disclosed that during the previous 21 months the average American worker suffered a 6.7 percent decline in his effective purchasing power. The end result of this type of levelling-down process, together with the erosion of all forms of saving, is obvious and presents a chilling picture for those who believe in the free society.

One of the major results of high inflation is centralisation of power in all spheres: economic and political. As

Douglas predicted in his earliest works, unless credit power was decentralised, the conservative elements in society would be forced into a series of rearguard actions, ultimately ending in their complete defeat. A start has to be made somewhere to reverse inflationary financial policies. Our view is that the coming six to twelve months could prove a crisis period of the greatest magnitude. Most people only move under the impact of events. There is no doubt about what those events are going to be. But, fortunately, Australia has been provided with a real ray of light in the two-point proposal of the Queensland Premier, Mr. J. Bjelke-Petersen: the abolition of the most directly inflationary tax, Sales Tax, and the use of consumer discounts for basic items in the economy. The abolition of Sales Tax—currently about \$900 million—would reduce the price of many items by as much as 25 percent.

A FIRST STEP

The recent wage increase of \$8 a week for Australia's four-and-a-half million workers resulted in an increased national wage bill of \$1372 million, most of this created by the banking system as an interest-bearing debt. The same amount could just as easily have been created by

the Central Bank, as a credit and applied to a price discount system. The abolition of Sales Tax, plus a price discount system—the Sales Tax in reverse at the retail counter—costing the same, as the recent \$8 wage increase would result in a substantial increase in purchasing power without generating further financial costs and inflation. In financial terms, the cost would be no more than approximately half of the amount of new money being created to finance inflation.

Much more than these two steps would ultimately be required. And most of society's deep-seated problems would not disappear overnight. But as Confucius said, the longest journey must start with the first step. The first step away from the present disaster course would be one of the most significant in the history of Civilisation. Every effort must therefore be concentrated upon (a) encouraging the Queensland Premier in every possible way—a short letter is sufficient, addressed to him at Parliament House, Brisbane; and (b) urging all Liberal and Country Party Members to press for the adoption of his two-point anti-inflation programme. The developing crisis in Australia may be the last chance for turning the tide. Dare we fail to make an all-out effort?

TO THE POINT

Sir Robert Norman, general manager of the Bank of New South Wales, says that low interest rates are a thing of the past. He said at a bank managers' conference in Brisbane that high interest rates were a part of the Federal Government's anti-inflation programme. When in Opposition Labor Members strongly criticised high interest rates. Now it is Mr. Snedden and his Opposition colleagues who are criticising what they did themselves! Such is party politics! One does not need to be a genius to grasp that higher interest charges are an increased cost, which must be multiplied right throughout industry, adding substantially to prices at the retail counter.

Higher interest rates are bearing heavily upon homebuyers. The Australian Labor Government was going to protect these people. Most building societies have had to follow the Government's policy of increasing interest rates to a record new level. The Sydney Morning Herald recently gave the example of a person who obtained a loan of \$22000 nine months ago and then started repayments at the rate of \$176 per month. Repayments have gone to \$213 per month and must now go up again. \$201 out of the \$213 was interest. Long-term, low-interest (no more than two percent would be adequate to cover administration) credit could be provided by Government banking organisations to all young married couples who can make a reasonable down payment.

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The recent collapse of the Herstatt Bank in West Germany and the difficulties of the Israel-British Bank have caused concern amongst Central Bank Governors. The Bank of Israel had to step in to assist the Israel-British Bank. The Federal Reserve Board in the USA also had to intervene to support the Franklin National Bank last month. A British report states that there is a growing risk that loans to commercial customers are not being repaid. Substantial loans have also been made to governments without security, and now these governments find themselves in difficulties because of the tremendous in-

crease in oil prices. Growing instability is now becoming the norm in all spheres.

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Visiting Indian lecturer, Professor Rajini Kothari, told his listeners at the 1974 Dyason Memorial Lecture to the Australian Institute of International Affairs, that traditional nation-states should surrender many of their powers and federate into "strong regional bodies". This is the type of thinking, which argued that the British would be stronger in the Common Market. Contrary to what the Indian Professor believes, the problems of the world will not be solved by making them bigger. And true unity does not come through centralisation. The existence of the "superpowers" is not an argument in favour of the peoples of the smaller nations attempting to become members of other "superpowers" through federations. Only through decentralised initiative, which can only develop in smaller groups, can individuals maintain control of their own affairs and solve basic problems.

* * *

Dr. Edwards, Opposition shadow minister for tariffs, former professor of economics at Sydney and Macquarie Universities, says that "something bold and novel had to be done to halt the headlong rush of leap-frogging wage-salary settlements and price rises." But the proposal for a prices-income policy of "restraint" ignores, as do all

similar suggestions, the basic flaw in the present finance-economic system which must cause prices to continue rising. The only really constructive proposal put forward by Dr. Edwards is that Sales Tax be reduced over a range of important items. Lower prices, through the abolition of Sales Tax, and price discounts, would end the present industrial friction overnight.

* * *

Mr. Claude Forrell of The Age, Melbourne, argues, "An increase in unemployment is necessary in the short term and inevitable in the longer term." Mr. Forrell argues that "an essentially prosperous community such as ours, can . . . cope with an inflation rate of two per cent. Even this may not be enough to break the vicious wage-price spiral and we should not flinch at the prospect of more than three percent of the work force unemployed for a time. That is the price to be paid for the present insane scramble for a greater share of goods and services than the economy is generating."

Not even three percent unemployment will do more than temporarily slow down the rate of inflation. The major urge behind the present "scramble" is not so much for a greater share of goods and services, but one of trying to keep pace with rising prices. However Mr. Forrell makes a valid point when he states that "Instead of arguing that everybody is entitled to a job—no matter how dreary or distasteful—let us accept that everybody is entitled to a certain income, whether he works or not." Unfortunately, Mr. Forrell does not explain how this "certain" income is to be financed, the inference being that it would come out of taxes paid by those who are working. If Mr. Clyde Cameron's proposed re-training scheme is financed out of taxation, or deficit budgets, inflation must continue because of the generation of increasing financial costs.

* * *

The Australian production system, operated on the principle of maximum incentive for those engaged in it, is more than capable of easily producing all the reasonable requirements of Australians without all being required to work. Bearing in mind the social aspects of reduced hours of work, the obvious place to start is by reducing the present retiring age to, say, 60 for a start, and then down to 55. Coupled with a genuine anti-inflation programme, the financing of a reasonable retiring dividend out of the national credit would provide an incentive for those working in industry to be as efficient as possible with a view to reducing the retiring age still further. Provided with genuine freedom and security, the more matured members of society would then be in the position to take up voluntarily all the crafts and hobbies they liked without relying on Government re-training schemes. They would also have more time and opportunity to ensure that the elected representatives of the people genuinely looked after their electors' interests! The quality of social life would improve immensely.

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Federal Treasurer Frank Crean says that he is interested in a new tax scheme advanced by the Commonwealth Minister for Labor and Immigration, Mr. Clyde Cameron. Mr. Cameron is a veteran supporter of the Henry George proposals which, as Douglas observed, have along with all other attacks on genuine private property, received powerful support from financial interests. The Henry George proposal for the abolition of all private property is identical to the first of Karl Marx's 10 steps for communising a state.

Mr. Cameron's plan, allegedly to help curb inflation,

HEAVY BOOKING FOR ANNUAL DINNER

No doubt there are several factors contributing to the heavy booking for this year's New Times Dinner, to be held on Friday, September 20, at The Victoria, Little Collins Street, Melbourne. But perhaps the major one is the general atmosphere of expectancy; the feeling that the movement initiated by "The New Times" now faces a situation of historic significance. Harsh events are resulting in increasing numbers conceding that the genius Douglas has been proved right beyond all argument. There is no way out of the deepening crisis except through policies decentralising credit power back to the individual. And because the breakthrough will be provided within the old British Crown Commonwealth, it is most appropriate that the principal guest of honour at this year's Annual Dinner should be Mrs. Joyce Mew, Chairman of the British Housewives' League, a leading opponent of the Common Market, and a strong supporter of closer British Commonwealth ties.

Will all overseas readers wishing to be represented at the Dinner please ensure that their messages (do not make these too long) are forwarded well in advance of the Dinner in order that they can be prepared for presentation and for publication in the special Dinner issue of "The New Times".

All Dinner bookings must be accompanied by a donation of \$6. Guests may nominate whom they wish to sit with at the Dinner. The organisers reserve the right to decide who shall attend. Those intending to attend would be well advised to make their bookings as soon as possible.

NATIONAL SEMINAR

The League of Rights National Seminar will be held on Saturday, September 21. Entrance \$2. Three Papers on THE issue of the day—INFLATION. Bring as many friends as possible.

ACTION SEMINAR

Starting with a short Divine service at 9.30 A.M., the League of Rights National Action Seminar will be held on Sunday, September 22, at the home of Mr. and Mrs. Eric Butler. All actionists invited.

\$1 charge to cover cost of lunch.

A SPECIAL NOTE CONCERNING SUBSCRIPTIONS

It is an unfortunate fact of life that while fighting the inflation policy we have to live with it. Over many years we have absorbed increased printing costs and increased postal costs. This has only been possible through the work of the dedicated volunteers who wrap our paper and service subscription renewals. But recent cost increases, particularly postal increases—and more to come!—have made it imperative that we take stock of the situation. We are absorbing some of the costs through increased circulation, but more than this is necessary.

We are therefore forced to increase the subscription rate by \$1 to \$6 per annum. But we are also appealing to subscribers to assist us to reduce postal costs by paying subscriptions immediately a renewal notice is received. But an even more effective form of assistance is to renew subscriptions for two years. A two-year subscription is \$11. The two-year subscription saves us postage, paper and, just as important, eases the pressure a little on our over-worked, small office staff.

"WE FACE SOCIAL BREAKDOWN AND REVOLUTION"

The following is from a letter by Dr. C. G. Dobbs in "The Financial Times", London, of June 14:

. . . It would be difficult to find any professional economist whose analysis and predictions have fitted the course of events over 50 years as closely as have Douglas's; and it is high time that professional pride was put aside so that our economists can take an unbiased look at them.

The "orthodox" position from which Douglas's ideas were derided and discarded, namely that there was a position of balance between inflation and deflation which would provide full employment with stable prices, has long ago collapsed. It is now obvious that he was right in pointing out that so long as existing goods and services, priced to cover accumulated past costs, can be distributed only (or nearly so) through incomes from current production, in a world of increasing labour productivity through technological advance, there is a built-in requirement for accelerating inflation through "economic growth"—that is, expanding production of unwanted, unneeded, or unsaleable products and the creation of artificial

"demand" for the purpose of providing incomes to distribute what people want. The environmental consequences of this squandering of human effort and the earth's resources are now being realised; but the alternative appears to be slump and the breakdown of distribution.

Either way we face social breakdown and revolution, especially now we have passed the 1:1 ratio beyond which inflation is liable to run away. Doubtless this will please our Marxists; but for others there remains the proposal of the man who foresaw this, namely: the use of non-inflationary, because non-cost-producing, financial credit as a direct retail price-discount at the rate necessary to prevent inflation. Has financial orthodoxy proved to be so satisfactory that its preservation is more important than that of economic freedom in our society? —C. G. Dobbs, Senior Common Room, University College of North Wales, Bangor.

LEAGUE PROMOTING NATIONAL ANTI-INFLATION CAMPAIGN

As correctly predicted by the Australian League of Rights over many years, inflation has, as a result of Keynesian Fabian-Socialist financial policies, developed at an accelerating rate and is now threatening all non-Communist nations with chaos and anarchy, leading to the imposition of some form of complete totalitarianism.

The League has produced a striking four-page brochure, "Down the Inflation Road to National Socialism", explaining in simple language the fundamental aspects of the developing crisis and outlining a national campaign to back the limited objective anti-inflation proposals put forward by Queensland Premier Mr. J. Bjelke-Petersen. The first major step in the League's campaign is to have distributed hundreds of thousands of the four-page brochure. This will stimulate action, which in turn will pave the way for the following stages of the campaign. We appeal to all readers to participate in this campaign. We are not making a set charge for the brochures, relying upon individuals to send along small donations. Some actionists may be able to undertake the distribution of thousands of the brochures but cannot afford to pay the price necessary to cover costs. We do not want anyone held up.

However, in order that the campaign at least pays for itself, it will be essential that the League of Rights obtain at least \$8 per thousand brochures obtained.

Write to your State League address: Box 1052J, G.P.O., Melbourne 3001; Box 16, Inglewood, W.A. 6052; Box 1297, G.P.O., Adelaide, S.A. 5001; Box 2957, G.P.O., Sydney, N.S.W. 2001; Box 64, Maleny, Queensland 4552.

THE ENDING OF AN ERA

By D. WATTS

A big sporting event in the twentieth century has been the Race of the Trendies. This race is run on a circular track. There is no starting nor winning post, but those farthest out in front are the winners and are awarded the prizes. Some time ago there was a curious development. The winning Trendies, anxious to maintain their position, ran so fast that they caught up with the hindmost of the human throng and so found themselves among the lagging crowd of criminals, drug addicts, primitives and savages. It never entered their heads that they could be losers. Instead of admitting defeat they declared that the winning position is at the tail end of the race.

In any but a hopelessly decadent society such extremism will bring about a reaction against it. As is well known, the more extreme the action, the more extreme the reaction. It seems almost unbelievable that the Trendies and their patrons have not realised that and called before now for moderation. Because they did not, most of the broadminded tolerance, the compassion, the freedom, etc. that the Trendies thought they were cultivating is lost in violence and cheap self-indulgence.

It is usual for the conventional and the reformers alike to believe that the standards and institutions that are supremely good to themselves will always be regarded as being supremely good, so that it is not astonishing that those who used the inevitability of change to justify the changes they were promoting did not realise that once their own changes became widely accepted, these too would be due for a change.

There was some encouragement in the material and intellectual environment in which the Trendies thought and acted for the inconsistency in their philosophy. The exploiting of a strong pre-war leftist trend by presenting, in propaganda, World War II as being fought for Leftism and against Rightism completely divested popular, political theory of scientific balance. War propaganda, even if rationally presented, is emotionally received. The emotion with which Leftism became coated protected its doctrines from criticism. The consequence has been that practical politics have followed the leftist trend dangerously close to that extreme where rightism and Leftism meet in all-powerful dictatorship. In addition, the crushing of respect for moral principles and the replacing of time-honoured public virtues with commitment to a political ideology has resulted in cynical opportunism, which has led to public scandals, which, in turn, may prove to be no small factors in bringing about a logical reaction against a morally too-lax era.

The ending of an era is always painful to those who are its typical products. Probably not many of those who were young when a new era emerged in the thirties remember the distress of a considerable number of members of previous generations. The young people were having too much fun in shocking their elders, in debunking, in smashing old standards and repudiating old values to notice how much they were hurting. If some did realise it, they probably found some satisfaction in causing pain; for they were mostly of the communist intelligentsia who, from

sadism or class spite, thought that the agony of millions was justified by the establishing of what was humorously called a dictatorship of the proletariat—they who were so safe from torture and political victimisation within the protection of British law.

BEGINNINGS HAVE ENDINGS

All things that have beginnings have endings. They, who in their youth, described their parents and grandparents as being fuddy-duddies, ga-ga, stuffed shirts, etc., are about to move into that category themselves. No doubt when their conventions and values are being opposed they will be just as much outraged, just as much shocked and disapproving as were their similarly flouted parents and grandparents.

Bearing this out, in *The Sydney Morning Herald* (25/4/74), Dr. Francis Macnab, a Presbyterian minister, was reported as having said that Australia is being deluged with prudish, unnatural ideas about decency and that these are destructive of family life. To one who adheres to the social and moral philosophy, which has all but monopolised the channels of propaganda and so has rarely been confronted by a serious challenge, a trickle would seem to be like a deluge. One must believe that in his speech he did not confine his condemnation to unsupported accusations, but did explain how he had reached the conclusion that ideas promulgated by such groups as the Festival of Light are unnatural and prudish and destructive to family life and psychologically damaging. Under the influence of modern social theories, family life tends to fall apart much more readily than it used to do, and neuroses have been steadily increasing.

Family counselling clinics are set up to deal with breaking marriages and other organisations are formed to help the neurotic; but what one does not hear much

Mr. W. McSTEWART

Another pioneer "New Times" supporter, Mr. Bill McStewart of Port Douglas, Queensland, has passed away. Mr. McStewart was a subscriber to this journal from its inception and devoted his life to the advancement of Social Credit. He was well known for his keen interest in local northern Queensland history. We salute his passing.

about are the steps taken to lessen the need for such helpful bodies. One of the greatest social calamities of the present era is that ever since the time when the Freudian theories were all the rage, the interest has been almost entirely upon abnormal instead of normal psychology. Freud, himself, remarked that abnormal behaviour was really normal behaviour that had become exaggerated or misdirected in some way. I remember, though those who chose to forget may not, that the exploiters of psychoanalysis took it from that dictum that all normal behaviour is abnormal. All mother love was declared to be injuriously possessive; all marital fidelity was represented as being tyrannous or stodgy, the faithful character being shown in the novels of the time as an unlovable person; all filial love was said to be enslaving; all discipline, especially of children, was denounced as inducing neurotic inhibitions or complexes; all love of virtue was averred to be hypocritical or smug or starchy. In those days the influential, young "moderns" were as arrogantly indifferent to warnings about the dangers of extremism as trendy intellectuals are today.

The Freudian theories, as their results began to condemn them, were gradually toned down to some extent; but they have nevertheless set their stamp upon subsequent psychological and social and educational philosophies and practices. Dr. Macnab, in the aforementioned address was reported as asserting that "decency" groups propounded ideas, which are not acceptable to all sections of the community. Perhaps a condensation of what he did say gives a wrong impression; but if it did not, a really disturbing implication, consonant with the apparent belief of extremists, is that there should be a Maoist kind of society in which decreed ideas should be acceptable to (that is ostensibly accepted by) all sections. Perhaps that was not exactly what Dr. Macnab intended to be understood; but surely he is not so fast imprisoned within a windowless, plastic tower that he does not know that his own ideas are not acceptable to all sections of the community.

FREEDOM AND COMMUNITY STANDARDS

Coming to the final paragraph of the report; Dr. Macnab is quoted as saying that though such groups as the Festival of Light are well meaning, they did not accept it that everyone should "get a go in the context of a life that was full and effective to individuals while not being destructive to other members of the community". That conception is derived from the unhelpful solution of a dilemma posed by the proposition that freedom is an unalienable human right. The solution, which raises many questions while really answering none, is that everyone should be free to the extent that his freedom does not destroy the freedom of others.

What should not be overlooked is that in the case of such arrangements there is a third, interested party. It is the community. Not only should no individual be deprived in order that another may enjoy an untrammelled freedom, but no individual should expect to enjoy him-

self at the expense of the community's mental and moral quality. Those who demand, as a right, freedom to enjoy salacity and brutality, asserting that it does not corrupt them, might consider that it does corrupt some others and in this way tends to lower community standards. Anyway, those to whom lewd or ferociously violent shows and literature are enjoyable are already corrupt. Only occasionally do the corrupt realise that they have been corrupted.

This matter of inordinate individual freedom was some of the subject of an address given by Professor R. I. Downing, chairman of the Australian Broadcasting Commission and Professor of Research in Economics at the Melbourne University, to the Trustee Companies Association. He repeated the arguments put forward by those who believe that the importance of their own individual freedom to enjoy whatever they like should be the paramount consideration. He defended the portrayal of sex and violence on television. "This is provided that sex and violence are shown for the part they play in our lives and not exploited as titillating ends in themselves," he said. He continued, "I believe that their public portrayal and discussion can be only for our long-term good." That is casuistry in the inferior meaning of the word. How does he know that all those who view public exhibitions of violence and brute sex are as pure-minded as himself? Actually, with regard to another apology sometimes offered for ugly behaviour as entertainment: such shows, far from acting as a catharsis for those who already have a strong tendency towards violence and un-governed sexual indulgence, would more likely excite them to an extent that final relief could be found only in practical experience. Even some with rather more self-control might be inspired with a curiosity that would impel them to experiment.

Professor Downing betrays the fact that he is one of the old-fashioned Trendies when he says of the Our Auntie Jack Show that it can't be understood or enjoyed by anyone over 25 and could not be conceived by anyone over that age. That is an example of the Youth Cult of the thirties at its most extravagant. Anyone over 25, unless suffering from amnesia, can remember what he thought and how he felt when under 25; but those who have never been over 25 might find it a little difficult to understand the mature outlook which experience has brought to the independent thinker whose callow years are behind him.

The worship of Youth should have died away in a decade or so. Youthful omniscience was never anything but another pose adopted by the unsophisticated young people in a sophisticated society in order to deny their own lack of sophistication. At the turn of the last century the young people of that time played the part of *fin de siècle* decadents. A little before that a certain group, predominantly French, dramatised themselves as anti-philistine bohemians. The various play-acting groups of young people of the sixties are too well remembered to need naming. In his play *King John*, Shakespeare makes

the unhappy Prince Arthur say, "Yet I remember, when I was in France, young gentlemen would be sad merely for wantonness." That pose, one assumes, was adopted by the youth of Shakespeare's own time. However, it seems to indicate that youthful self-dramatising has been a phenomenon in all ages.

In the nineteen-thirties there were special circumstances that tended to fix youthful attitudes. There had been a World War that had not been a glorious contest between heroes, but instead a squalid, unromantic crouching in muddy trenches. The victory by the Allies was not followed by the promised world fit for heroes to live in nor, for that matter, one made safe for civilisation and democracy.

The natural reaction against the recent war-propaganda bolted. It became a "de-bunking" of practically all the virtues cherished by the older generations and of the reputations of men who had been held to be good or great. The repudiated codes and beliefs were those of the elders, while the persons avowedly exposing false sentiment and humbug were of the younger generations. The latter, therefore, saw themselves sweeping away the rubbishy old ideas in preparation to building a world founded upon honest thinking and fair dealing.

NEW ILLUSIONS FOR OLD

The publicity given to that picture resulted in converting ideas generated in emotion and egotism into firm beliefs. So convinced were the young people of that time that they were to be the Shining Deliverers emancipating all mankind from the tyranny of old conventions and from the grip of greed and corruption that it was impossible for them to realise that they were merely substituting new illusions for old ones and that, anyway, the Cult of Youth was, from their own point of view, extremely ill-conceived. Youth is short and maturity is long. In the ordinary course, according to their philosophy, they would be splendidly superior for only a little while and after that be doomed to drab and dull existences.

Very soon the Youth of those generations found itself in the horrid position of being no longer young, no longer under 25 or even 30. The members were in a predicament. The flamboyant adulation that had been given and was still being given to the supposedly superlative vision and honesty and reforming zeal of Youth would have made them look ridiculous had they been as frank as former, less grossly flattered, intelligent persons among previous generations had been able to be, and had admitted that some of their ideas had been begotten by ignorant idealism. They were no longer so very young yet, after all their youthful posturing, they were precluded from proclaiming the virtues of maturity. Their way out of the propaganda trap was to determine to remain forever young, even though not in years, yet in heart and spirit and, alas, in judgment. So, therefore, they continued to support the Cult of Youth and of moral and social iconoclasm.

It did not seem to dawn on them that in educating successive generations of young people to accept the beliefs and values which were their own when they were young and which they had retained through the years, that they were behaving, in principle, exactly as their despised and patronised grandparents had done, and with the same firm conviction in their own immutable rightness. Consequently, beneath the superficial, surface changes in thinking there has been very little change in the last 50 years. What changes there have been are those arising from progression of the same ideologies ever nearer towards a catastrophic extreme.

Particular trends never continue forever. Either they help to create balanced development by changing as the need arises, or they are factors in producing unbalanced development by failing to change when they have gone far enough. In that latter case, they come at last to an inevitable finish in an unworkable system. There are some who fear that a change in present trends would bring society back to the narrow codes and stilted conventions of the nineteenth century. A complete return to the standards and accepted customs of an age that has passed is impossible and would be undesirable even if possible. All the same, the extremism of the present lax, widely and often authoritatively supported moral standards could result in a recoil against them, bringing with it some form of moral rigidity and iron discipline. One has only to think of the stern, military dictatorships that have so often followed the chaos wrought by extremism to know that.

MODERATING INFLUENCE NEEDED

The obstinate and desperate resistance to any tightening up of the present extreme permissiveness in behaviour and entertainment will only intensify the revolt against it. If, before it is too late, a sufficient number of intellectuals were to set about moderating that trend, they might soften the impact of the coming reaction. There was good that was unwisely rejected in the nineteenth century moral codes. There is good that should be preserved in the twentieth century codes. Of course, every section of the community with ideas and beliefs will claim that its own values are the ones worth conserving, and the more extreme its opinions, the more sure it will be of that. The method of reform to be followed is not to pursue a middle course between opposite doctrines. That is a negative and therefore an ineffectual one, as political centre parties have shown. What might be done is to decide where a halfway line lies and, with that as a guide, lean a little to one side or the other to counter-balance too strong a pull in either direction. That moderating procedure may lack the facile excitement that attends enthusiasm for extremes; but for the intelligent it has its own fascination and provides the interest that there is in making difficult judgments. The coming era, if reform can beat disaster, will be one of adult values expressed in sanely balanced action.

Enterprise

Organ of the
INSTITUTE OF ECONOMIC DEMOCRACY
Post Office, Kingstown, N.S.W., 2350

No. 18

JULY 1974

'AND ALL THE WORLD WAS TAXED'

When the States agreed somewhat reluctantly to "unite in one indissoluble Federal Commonwealth under the Crown", as the preamble to the Constitution describes it, they thought that they were adequately protected by a States' House, and by constitutionally defined restrictions on the new Commonwealth Government. But Alfred Deakin, one of the three men on the sub-committee, which redrafted the Constitution Bill during the Second Federal Convention of 1897, and subsequently the second Australian Prime Minister, made a remarkable prophecy. Speaking in 1902, he said:

"As the power of the purse in Great Britain established by degrees the authority of the Commons, it will ultimately establish in Australia the authority of the Commonwealth. Their need will be its opportunity. The less populous will first succumb; those smitten by drought and similar misfortune will follow; and finally even the greatest and most prosperous will be brought to heel. Our Constitution may remain unaltered, but a vital change will have taken place in the relations between the States and the Commonwealth. The Commonwealth will have acquired a general control over the States, while every extension of political power will be made by its means, and go to increase its relative superiority". All those for whom the original federal partnership is a worthwhile ideal must now face the fact that Deakin's prophecy is all but realised. Unless firm action is taken in the last remaining moments of federation on behalf of the States, we face a period of anarchy, which will be quickly followed by the full weight of a totalitarian central government.

Part—and only part—of the erosion of the Federal system can be seen in the taxation story.

As a prelude, it should be noted that there are two distinct and opposed philosophies regarding taxation. On the one hand, there is a viewpoint, which sees taxation as a means by which the individual contributes to the maintenance of order and justice in the community, providing an environment in which all people may exercise their talents, both culturally and economically. It is believed that self-development leads to 'life more abundant'. Such a philosophy sees government as a necessary evil, to be restricted to using the minimum sanction necessary to prevent some citizens from intruding upon the rights of

others. Government by these standards has no place in either commercial undertakings or in the redistribution of income. Having established rules, and having been endowed with sanction enough to enforce them, all activities are left to individuals, or groups of individuals. Such a system has traditionally been called "free enterprise". It is certainly not very well understood by so-called advocates of free enterprise today.

On the other hand, there is a philosophy, which subscribes to the concept of the welfare state, in which all social achievements are monopolised by the State, which re-allocates them according to the principle "from each according to his ability, to each according to his need". This monopolisation and re-allocation requires a much bigger sanction, which is achieved by centralising power. Until such an allocation can be achieved without a system of personal incomes, taxation is a major means of transferring economic power from individuals to the State.

A politician who has not distinguished between these two quite opposite philosophies is not fit to represent the people. To give them their due, the socialist political parties are much truer to their own philosophies than the so-called non-socialists. Perhaps the most telling cartoon in the recent election was one of the Country Party leader, Mr. Anthony, appealing for a rejection of socialism—with the exception of statutory marketing boards, reconstruction schemes, and government acquisition of the wool clip!

Karl Marx, who knew better than Mr. Anthony where he was going, stressed that heavy progressive income tax was a vital midwife of the socialist state. That fact should be impressed upon all struggling free enterprise advocates.

It is only during the last 31 years—since July 1943—that the Commonwealth has levied all income tax in Australia. It has been a slow and tortuous path to Canberra's monopoly in the field of direct taxation. Deakin's prediction, however, has come true. Prior to Federation the States received nearly all their revenue from Customs and Excise. The considerable development in Australia's formative years was financed without any income tax, and such aberrations as death duties, sales tax and payroll tax were completely unthought of. It was only in the final years of the last century that an extremely low income tax was struck.

With the coming of Federation, the Commonwealth

Government was given exclusive control over Customs and Excise by the Constitution—but only on the proviso that three quarters of the revenue from this source was returned to the States for the first 10 years after Federation. With regard to other taxes, the Constitution left the Commonwealth and the States with the independent powers to levy such taxes, as they required.

In 1910, when the 10-year constitutional proviso on Customs and Excise expired, the Commonwealth agreed to pay each State the sum of 25 shillings (\$2.50) per head of its population. This agreement was never written into the Constitution, and the first precedent of State dependency on Commonwealth munificence was established. It was to be the first of many. Income tax was left to the States, which raised about half their revenue from this source in the first 15 years of the century. It was not until the First World War that the Commonwealth entered the field of income tax, and only then in 1915. From that period until the Second World War, both Commonwealth and States levied income tax, and Australians filled in two returns each year. Obviously, this duplication was aggravating to the individual, but it is worth noting that, despite such competition between taxing authorities, Australians were on average paying less than 6 percent of their incomes in direct tax by the outbreak of the Second World War.

The other important development in the inter-war years was that the States agreed to raise public loans only in agreement with the decisions of the Commonwealth Loan Council. This was finalised in 1927. Ostensibly, this was to avert the competition between competing governments in the loan market, avoiding high interest rates. The Commonwealth Loan Council is chaired by the Prime Minister, who has two votes and a casting vote in the event of disagreement, while the State Premiers have one vote each. As competition for loan funds was transferred from the market to the Council itself, the States have never been able to put up a united front in their own defense, and the result has been a massive escalation in State debts, while the Commonwealth has remained far more solvent. The following chart indicates what has happened.

COMMONWEALTH AND STATES—PUBLIC DEBT

| Year | Commonwealth | States | Total |
|------|---------------|---------------|---------------|
| 1939 | \$635053422 | \$1795444082 | \$2430597504 |
| 1944 | 2 792 747 986 | 1 781 519 640 | 4 574 267 526 |
| 1945 | 3 299 482 174 | 1 801 955 426 | 5 100 437 600 |
| 1946 | 3618664214 | 1810701512 | 5429365726 |
| 1947 | 3681749836 | 1852497816 | 5524247652 |
| 1967 | 3275339000 | 7934074000 | 11209413000 |
| 1968 | 3600291000 | 8316544000 | 11916836000 |
| 1969 | 3682140000 | 8830505000 | 12512645000 |
| 1970 | 3884914000 | 9320 061 000 | 13204976000 |
| 1973 | 3963029000 | 10780804000 | 14743833000 |

(Source: Commonwealth Year Books 37 and 52, and Bulletin

Government Securities on Issue at June 30, 1973)

As far as taxation was concerned, the levying of income tax changed dramatically during the Second World War. As Australian troops took part in the Battle of El Alamein, the Commonwealth Parliament introduced and passed four Bills. The first raised Commonwealth Income

Tax high enough to bring in as much revenue as had been raised previously by both Commonwealth and States in the income tax field. The next empowered the Commonwealth to return to the States as much as they had previously raised themselves—provided they vacated the income tax field completely. The last two Bills prevented taxpayers from paying State income tax before they had paid their Federal commitments. These powers, it was stressed, were only temporary powers required for the duration of the war.

Four States immediately challenged this move in the High Court. The plea of the Commonwealth Advocate that "in times of national emergency as at present existing, the defence power (given to the Commonwealth by the Constitution) is limited only by the necessity of self-preservation", was upheld in the verdict of the High Court.

In 1946, the legislation was re-enacted by the Commonwealth Government, with the clear intention of making the temporary powers permanent. No challenge was made by the States until 11 years later, when Victoria and New South Wales appealed again to the High Court. They argued that Commonwealth control of income tax to the exclusion of the States was "irreconcilable with basic Federal principles". In answering, the Commonwealth claimed that the States had the right to reject Commonwealth grants, and could levy their own income taxes if they so desired.

The Court ruled that the Commonwealth could continue levying income tax, although it did disallow the previous legislation, which enabled the central government to exact a prior claim on the taxpayer over the States. In practice, however, this did not alter the situation. It meant that any State wishing to resume its taxing powers would have to inflict the taxpayer with double taxation—its own income tax levy in addition to Commonwealth income tax.

A single taxing authority, moreover, certainly did not mean a lighter tax on the unfortunate taxpayer. The following figures indicate how the pressure has been increasingly applied:

TAXATION AND INCOME IN AUSTRALIA

| Year | Tax per head (All taxes) | Tax per family of four | Personal Income per Head (Qld. figures) |
|---------|-----------------------------|---------------------------|---|
| 1930 | \$27.99 | \$111.96 | — |
| 1932 | 26.56 | 106.24 | — |
| 1934 | 27.29 | 109.16 | — |
| 1936 | 30.99 | 123.96 | — |
| 1938 | 34.60 | 138.40 | — |
| 1940 | 41.30 | 165.20 | — |
| 1944 | 89.40 | 357.60 | — |
| 1945 | 98.00 | 392.00 | — |
| 1947 | 110.13 | 440.52 | — |
| 1949 | 135.21 | 540.84 | — |
| 1951 | 199.47 | 797.88 | \$654.00 |
| 1953 | 220.99 | 883.96 | 740.00 |
| 1955 | 246.00 | 984.00 | 793.00 |
| 1960-61 | 306.74 | 1 226.96 | 991.00 |
| 1963-64 | 334.84 | 1 339.36 | 1 176.00 |
| 1965-66 | 414.11 | 1 656.44 | 1 260.00 |
| 1967-68 | 473.41 | 1 893.64 | 1 402.00 |
| 1969-70 | 587.25 | 2 249.00 | 1 609.00 |
| 1973-74 | 860.43 | 3441.00 | n.a. |

All this must be weighed against the recent election, which, once the rhetoric had been set aside and the hard realities examined, offered no solution to the dilemma of the States.

Firstly, there was a promise by the Opposition leader, Mr. Snedden, that taxes would be reduced by \$600 million. Although Mr. Snedden conceded in his election speech that his proposed reduction was in reality a reduction in the increase—an entirely different thing, and a fine example of semantics in itself—few have grasped the irony of his proposals. In the last budget, the Treasurer, Mr. Crean, gave the figures for taxation revenue in 1972-73, and estimated taxation revenue for 1973-74. He budgeted for an increase in taxation of \$1851 164 690 over the previous year—by far the biggest tax jump in Australia's history. A summary of estimated receipts in Consolidated Revenue, as presented by Mr. Crean last August, are as follows:

| RECEIPTS | Estimate 1973-74 | Receipts, 1972-73 |
|-------------------------------------|-----------------------|----------------------|
| Taxation— | | |
| Customs | \$563800000 | \$513462933 |
| Excise | 1548920000 | 1268402258 |
| Sales Tax | 889000000 | 764968502 |
| Income Tax— | | |
| Individuals (PAYE.) | 3940000000 | 3160 681 472 |
| Individuals (other Companies) | 1 238 500 000 | 928 797 369 1 |
| Dividend and Interest (Withholding) | 863 250 000 | 1 561 287 |
| | 80 000 000 | 72603291 |
| Payroll Tax | 9 300 000 | 6338017 |
| Estate Duty | 60 000 000 | 66 350 295 |
| Gift Duty | 7 500 000 | 6 941 157 |
| Stamp Duty — | | |
| Australian Capital Territory | 4 000 000 | 3 588 751 |
| Northern Territory | 500 000 | 183 939 |
| | 10204770000 | 8353605310 |
| | 1191659000 | 924602135 |
| Other Revenue | | |
| TOTAL RECEIPTS | 11 396 429 000 | 9 278 207 445 |

Thus, total receipts, wherein taxation revenue was supplemented by interest charges on taxes allocated for capital works in government undertakings, leases, fines, rates and miscellaneous charges, increased by over \$2000000000. Mr. Snedden's so-called reduction in taxation would have held next year's increase to about the same figure.

During the same period, the number of Commonwealth public servants increased by 5 percent, and the salary bill by over \$100 000 000. Mr. Snedden again drew attention to this increase, but instead of proposing a reduction in the number of public servants, he again opted for a reduction in the increase. Despite all the

blarney, supporters of the Opposition parties should ponder on the suggestion that the ominous election warnings did not ring true in the absence of genuine alternative policies. If one is going to advocate a tax reduction, then go for a genuine reduction. If one suggests reducing the burden of government, then boldly plan to reduce the number of public servants. Perhaps most important of all, never promise to reduce inflation unless you have an understanding of the means to do so. Further, the Liberal-Country Party Opposition offered no solution to the centralised attack on the Federal system. Every election speech warned us of the dangers of centralisation. But the closest we got to a solution was a promise by Mr. Snedden that the States would be given an agreed percentage of taxation revenue. For the sake of a united front, the States did not even ask what percentage they would receive. There was not one thing in that nebulous promise which offered the States anything more than they have been receiving in the past.

Australia, if a decentralised, free enterprise system is to be regained, is in need of three apparently conflicting remedies to start the ball rolling. Firstly, there is a need of a genuine reduction in taxation—not a temporary vote-catching pause that is reversed almost immediately, but a planned reduction in taxation extending over a number of years. Secondly, the States and Local Government need an urgent alleviation of their financial burdens. To the individual who believes that taxation is the sole source of government revenue, these two are contradictory, but there are worthwhile alternatives. Thirdly, and most essential, there is a need for a technique to reverse inflation without plunging Australia into large-scale unemployment and stagnation.

What could be done?

Estimated Commonwealth expenditure for 1973-74 was as follows:

| | |
|--|---------------|
| Payments to or for the States | \$3200461 200 |
| National Welfare Fund | 2621745000 |
| Debt Charges | 144029200 |
| Departmental Salaries and Administrative Costs | 1 045 600 070 |
| Other Services | 1488124730 |
| Capital Works and Services | 1014738200 |
| Defence Services | 1402240000 |
| | <hr/> |
| | 11 303537000 |

A start could be made by providing for a new policy on the financing of capital works—that no capital works should be financed out of taxation, but from new credits repayable over the life of the item of capital equipment, at rates of interest no greater than the cost of issue. Capital works carried out by the States and Local Authorities in 1972-73 totalled approximately \$2600 million—probably about \$3000 million last year. Some was financed by loans at high rates of interest, some by rate or taxation revenue. The Commonwealth spent approximately \$1000

million. A saving of \$2500 million could be made on taxation by such a policy.

State and Local Authorities now pay over \$1000 million in interest annually. By converting existing debts—both domestic and foreign—on to a long-term basis at interest rates no greater than cost of issue, a further sum of \$1000 million could be saved. The Loan Council should be limited to dealing only with the Reserve Bank, which in turn should be instructed to draw on the national credit for any expenditure on necessary capital works.

Revenue savings thus affected should not be applied to further government expansion, but should be returned directly to the people, firstly by reducing taxes, and secondly by price discounts to halt inflation. A number of inflationary taxes could be completely abolished—pay-roll tax, sales tax, estate duty, stamp duty etc. A considerable saving in the public service could in turn be achieved. Beyond that, empire building in government departments, now reaching farcical proportions, should be eliminated. One example, representative of many, is the Department of Primary Industry, employing over 2000 people, with an annual salary bill of \$21 million. This Department spends \$105 million on a multitude of schemes supposedly helping the farmer. But the same department gathers back in levy and export charges and loan repayments over \$80 million—a case of handouts with one hand and penalties with the other.

Without any sacking of public servants, the number could be reduced considerably by a policy completely halting further recruitment. The usual turnover of staff would result in a 5 percent reduction in the size of the public service, annually.

If Opposition parties genuinely believe in the Federal system—and this is not certain by any means—then they should insist that the States re-assume their proper responsibilities. This means that he who spends taxes should accept the responsibility for raising them. The handout system has degraded the States immeasurably. With few exceptions, State politicians speak and behave like captives rather than free and honourable men. State leaders in turn will never regain their integrity until they are prepared to take an independent line on behalf of their States, from their respective parties in Canberra. Until some real and original thinking is generated in the Opposition parties, it is Australia's lot to "suffer the slings and arrows of outrageous fortune" in the shape of the current socialist monopoly.

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