

THE NEW TIMES

\$20 per annum.

Box 1052J, Melbourne.

"Ye shall know the truth, and the truth shall make you free" - John 8:31.

VOL. 62, No. 1.

Registered Australia Post - Publication PP481667 100259

JANUARY 1998.

Australia and New Zealand Edition. Published in Melbourne and Auckland.

WHEN THE STORM HAS PASSED

by Eric D. Butler

If correct prediction is the test of true science, C.H. Douglas, the author of Social Credit, must be rated as one of the world's most outstanding political scientists, having correctly diagnosed the major fallacy underlying the operation of the modern finance-economic system, he predicted that all attempts to overcome this fallacy by driving the system harder and by further centralising power must inevitably lead to one disaster after another, with the threat of a new Dark Age. His first published article was *"The Delusion of Superproduction"*. This article is essential reading for anyone who wants to understand what is now generally recognised as the greatest finance-economic crisis since the Great Depression of the 'thirties. With few exceptions, today's economic experts parrot what their predecessors were saying over half a century ago.

Only a short time ago the Asian nations, graphically described as "Asian Tigers", were being lauded for having set an example to the rest of the world with their economic growth. The Japanese had paved the way with an outburst of economic growth which in a relatively short time had not only overcome the massive destruction suffered during the Pacific War but was exporting right around the world, creating problems for other industrialised nations striving to solve their internal problems through greater exporting. Only a relatively few commentators tried to warn that a grandiose programme was, step by step, emerging which sought to bring all the nations and peoples of the world under some type of a World State. In his first book, *Economic Democracy*, Douglas warned that the real enemy to civilisation was the centralisation of power, with the centralised control of financial credit creation being the main mechanism for furthering centralist programmes.

DANGER OF SERVILE STATE

Douglas warned that "the danger which at the moment threatens individual liberty far more than any extension of individual enterprise is the Servile State; the creation of an irresistible and impersonal organisation through which the ambition of able men, animated consciously or unconsciously by the lust of domination, may operate to the enslavement of their fellows. Under such a system the ordinary citizen might, and probably would be far worse off than under free enterprise freed from the domination of finance . . . In attacking capitalism, collective socialism has arguably failed to recognise that the real enemy is the will to power, the positive complement to servility, of which Pressinism, with the theories of the supreme state and the unimportance of the individual. . . . is only the fine flower and that nationalisation

of all the means of livelihood, without the provision of much more effective safeguards than have so far been publicly evolved, leaves the individual without any appeal from its only possible

OUR POLICY

To promote service to the Christian revelation of God, loyalty to the Australian Constitutional Monarchy, and maximum cooperation between subjects of the Crown Commonwealth of Nations.

To defend the free Society and its institutions - private property, consumer control of production through genuine competitive enterprise, and limited decentralised government.

To promote financial policies, which will reduce taxation, eliminate debt, and make possible material security for all with greater leisure time for cultural activities.

To oppose all forms of monopoly, either described as public or private.

To encourage all electors always to record a responsible vote in all elections.

To support all policies genuinely concerned with conserving and protecting natural resources, including the soil, and an environment reflecting natural (God's) laws, against policies of rape and waste.

To oppose all policies eroding national sovereignty, and to promote a closer relationship between the peoples of the Crown Commonwealth and those of the United States of America, who share a common heritage.

employer and so substitute a worse, because more powerful tyranny for that which it would destroy."

In one sense it is unfortunate that large numbers of people were introduced to Douglas and Social Credit as a result of the Great Depression of the 'thirties, which concentrated on the subject of finance. Social Credit was presented primarily as a "money reform" movement, which merely required the formation of a Social Credit Party which having elected enough candidates to parliament, would then proceed to introduce legislation, designed to implement their monetary reform proposals. This concept overlooked the basic aspects of the problem confronting mankind. The fundamental question concerned philosophy and power. In Douglas's first major work, *Economic Democracy*, relatively little space was devoted to the subject of finance. In his introduction to *Economic Democracy*, Douglas clearly stated his basic philosophy: "Systems were made for men, and not men for systems, and the interest of man, which is self development is above all systems, whether theological, political or economic." This was an endorsement of the view put two thousand years earlier, "*The Sabbath was made for man, not man for the Sabbath.*"

THE NATURE OF POWER

At a time when it has become fashionable to claim that Communism has been defeated, thanks allegedly to President Reagan and the initiative of former Soviet leader Gorbachev, it is appropriate to stress that the will to power, and the nature of power is not changed by describing it by a different name. The Soviet system masterminded by Lenin, was a particular manifestation of the will-to-power, as was Hitler's National Socialism. Mussolini's fascism was another manifestation of the will-to-power philosophy. The view that mankind will be better served by some self-appointed elite is as old as man. The famous Greek philosopher Plato expounded this view. Alexander the Great set out by military means to conquer the then known world, allegedly breaking down in tears when he felt that there were no more worlds to be conquered.

Students of modern history have noted that large numbers of German Communists joined Hitler's National Socialists. Former officials of Hitler's National Socialist regime readily served the Communists when they took over East Germany at the conclusion of the Second World War. They shared the same philosophy.

But there has been no more dramatic example of the transfer of centralised power than has taken place in the former Soviet Union. Although rejected by the Russian people, Gorbachev has been readily accepted by his spiritual bedfellows in the West, men like Dr. Henry Kissinger.

From his think-tank based in California, Gorbachev preaches the virtues of globalism and a World Order. Back in Russia, Boris Yeltsin presides over a "reform" programme in which former Communists, now known as Social Democrats, rub shoulders with representatives of international finance, as Russia's vast natural resources are ruthlessly rorted. The great Alexander Solzhenitsyn observes that nothing basically has changed in Russia, as power continues to be progressively centralised. The Poles, Hungarians and other former victims of the Soviet tyranny, report that there is little improvement in their lot. Douglas says in *Economic Democracy* that it was hypocrisy to discuss freedom of any description, which did not result in the individual obtaining economic freedom. He also

made the prophetic statement that the orthodox finance system prepared the way for the eventual attempt to establish some type of a collectivist State.

No study of the progressive attempt to centralise power on a global scale is of any value if it ignores the key role of finance and the power of those who create financial credit. The roots of the current crisis in Asia are to be found in the debt system. Driven by the export-or-perish myth, Western industrialised nations progressively sought bigger export markets. The financing of Japan had been the first step into Asia. But the really big market offering was China. It was the International Bankers' man, Dr. Henry Kissinger, who paved the way for Communist China to be recognised by the USA. David Rockefeller's Chase Manhattan bank quickly moved in and Communist mass murderer Mao Tse Tung was transformed into one of the world's greatest social reformers. The credit poured in and the mass industrialisation of China was under way. The same process was taking place in Thailand, Indonesia, Malaya, Burma and South Korea. Western technology, vast natural resources and a cheap labour force, started to produce a rate of economic growth surpassing that of Western nations, and even that of Japan. According to the economic experts, Asia was not the key to the future of the global economy. Writing in *The Age* of January 14th, well known financial writer Maximilian Walsh lists the following as the major lenders to the major Asian nations: West Germany, France, and the United Kingdom. Collectively the debts run into hundreds of billions. Walsh makes the comment that "international bankers have political clout second to none." He charges that in order to protect their massive lending programme in Asia, they seek to have the International Monetary Fund take responsibility for the Asian debts. Needless to say, the IMF is demanding that the debt-ridden Asian nations must take their "medicine", not only for their own good but for that of the "world economy".

While the much publicised currency speculators like George Soros have helped to contribute to the current Asian crisis, and are now moving to buy up cheap Asian assets, it is the international debt merchants who are basically responsible. The lack of understanding of the politicians may be judged by President Clinton's initial description of the Asian crisis as a "glitch" of no great significance. John Howard and Tim Fischer have now conceded that the Australian economy could be seriously affected by what is happening in Asia. But they persist with wishful thinking that at the end of the crisis, a "shake up" of the Asian economies will leave them stronger than ever and that Australia must be ready to benefit from developments. The reality is that the whole world is now in the grip of a deepening crisis, which it is too late to avoid. What are required are emergency steps designed to ensure that Australia can survive as an independent nation. If enough Australians can free themselves from the hypnotic influence of that Black magic known as orthodox finance, they remain better placed than most nations to survive.

NO TIME FOR NEGATIVE PESSIMISM

The momentum of the drive towards centralisation of power on a global scale is now such that it is folly to attempt to stand directly in its path. A small nation like Australia should step aside and let the modern equivalent of the Gadarene swine stampede towards inevitable self-destruction. Enormous damage, material, psychological and cultural has already been inflicted

on the civilised nations of the world. Still more damage threatens. But eventually the storm crisis will pass. Douglas concluded his first book, *Economic Democracy*, with the comment that "out of threatened chaos might the dawn break; a dawn which at best must show the ravages of the storm but

which hold clear for all to see the promise of a better day." The role of the Social Creditor is to provide an example of moral courage and optimism, which will assist their fellows to look beyond the present storms to the promise of regeneration. This is not the time for negative pessimism.

THE MAKING OF A MONOPOLIST

We are indebted to the November, 1997, issue of "Triumph of the Past", the American Social Credit Journal edited by Mr. Michael Lane, for the following extract from a book "Confessions of a Monopolist", authored by an American Senator William B. Palmer, and originally published in 1906. Triumph of the Past, published monthly, may be obtained from P.O. Box 39535, Columbus, OH., 43229, U.S.A.

The United States Senate is the refuge of monopoly. Its members no longer are representatives of the states that name them but of the big business interests whose directors, attorneys, and agents they are.

I, William B. Palmer, am a U.S. Senator from the West. The assassination of McKinley is still fresh in my mind. Trained in law, I never took an interest in it. Instead, by a stroke of luck, I acquired a little real estate whose value went up so far as to make me independently rich in a few years. I began to devote myself to real estate speculation with a zest and delight that the law had never inspired. Soon I had made friends in the city council and was on the board of a bank.

During these years the city had been growing with great rapidity. One day the president of the bank said he thought that streetcars would be a profitable venture. I smiled at this, as I knew nothing of streetcars. But we had a franchise prepared by our attorneys for twenty-five years and bribed the council to pass it.

We then went to New York for the purpose of financing the proposition. It did not occur to me that money could be borrowed upon a mere privilege in the streets, which was terminable at the end of twenty-five years. I could think of nothing that seemed a more hazardous venture. But the bankers seemed to be interested chiefly in the size of the city, its rate of growth and distribution. How much the plant would cost did not seem to concern them greatly. I ultimately learned that a franchise in the streets was the best sort of security and that one could secure a loan upon it even in excess of the cost of construction. It was better than real estate. In a growing town, earnings are bound to increase whether times be good or bad.

In five years' time I had made in the neighbourhood of a million dollars in a business that a few years before I knew nothing of, in which I had not invested a dollar, and into which I had put very little time or energy.

I looked up the matter of artificial gas and found it to be even more profitable than streetcars. I was slowly becoming identified with politics; and through the agency of the bosses of both parties I was able to line up both the Republicans and Democratic councilmen. We were always wanting small extensions and privileges for the erection of poles and street work. From the first, I was a large contributor to campaign funds. As a matter of fact, we made our contribution to both parties.

I had chosen as manager of the streetcar lines a leader in the Democratic party who was thoroughly familiar with ward

politics. He would get a man under business or personal obligations to him and then secure his nomination for the council. He would provide him with funds and get the organisation back of him. We bought friends by giving out work, for among us we controlled or were able to influence many lines of business. Our manager organised the council through his intimate acquaintance with the members. He would get the fellows together for a caucus. At the meeting one of his friends would be chosen president, another as clerk. Through the president, the committees on streetcars, streets, lighting, and the like would be made up.

In much the same way I became identified with the Republican organisation. And the first favour that I asked was the naming of the county auditor. I appreciated that by one stroke of his pen, he could increase our taxes hundreds of thousands of dollars, by merely estimating our *franchises* as taxable property. In this almost unconscious way I ultimately became the leader of the Republican Party in the city and county.

By this time I thoroughly appreciated the necessary intimacy between my business and politics. They were identical. They depended on each other. And in devoting myself to politics, I was, in reality, devoting myself to business.

I discover Monopoly

I presume few people understand why it is that certain business ventures achieve immediate success, while others, plodding along the ordinary paths of industry, end in failure. Some explanations of all this I had learned in my streetcar and electric lighting enterprises.

But the full beauty of the modern shortcuts to success was revealed to me by my coal business. Up to 1895 my interests were confined to municipal enterprises and the banking business. About this time, the United Trust Company, of which I was president, undertook the underwriting of an issue of bonds of the North and River Railroad.

Through this I learned the explanation of the growth of monopoly in recent years. It is done in this way. The banks, savings institutions, and trust companies enjoy immense powers under their charters. They can do almost anything. They create money out of the nation's credit every time they make a loan.

The bank is controlled by its directors. They desire to build a railroad or streetcar line or consolidate some industries or coal mines. They organise a syndicate among themselves. They secure options on the property. They then arrange to secure a loan on mortgage. On this they issue bonds. These the bank or

trust company, which the syndicate really controls, agrees to underwrite, or take off the syndicate's hands at par, or something below par. On these bonds money is advanced to buy the properties.

Then the trust company sells the bonds to its depositors or customers at an advance, while the capital stock of the railroad, streetcar line, trust, or coal monopoly, for which it has paid nothing, is retained by the syndicate. The bank has advanced all the money used. And this money was created out of the nation's credit.

Then the people buy back the bonds for an investment, leaving the cream of the deal in the hands of the syndicate, which is in fact but the officers of the bank who have borrowed from themselves and kept the stock for themselves.

The next step is to make the stock valuable. This is done by putting up railroad rates, the price of commodities, of coal, or whatever else the syndicate is operating in.

Thus, the circle is completed. The nation's credit is used to buy properties that are taken in the name of the syndicate, who are really the directors of the bank. Then the properties are consolidated, and a lot of water in the form of stock added to the purchase price. Then the people pay again to their own trustees a big profit by being compelled to pay monopoly prices for the things they consume.

I am shorn like a lamb

Some years prior to this, I had organised the United Trust Company and become its president. In our state, trust companies enjoy all of the privileges of a bank, and in addition may do many other things. Through these powers they rapidly became the financial reservoirs for the promotion of great undertakings that were being organised. Without them, the tremendous industrial and railway consolidations would have been impossible. In additions to their banking powers, they rapidly absorbed the business of managing estates, serving as administrators, receivers, trustees, and the like, through which large profits came. By means of this aggregation of capital and the financial ramifications of their directors and stockholders, they were in a position to underwrite and float the bonds and securities of these new industrial combinations.

The summer McKinley was shot, 1901, there was a run on Amalgamated Copper. At first, I paid no attention to the rosy prophecies. I had made it a rule never to speculate in stocks. I confined my attention to the companies that I controlled and refused to join in any ventures with which I was not thoroughly familiar. But then I found myself doing what I had promised myself I would not. The fever caught me, and I started buying Amalgamated Copper on margin. I lost heavily. Many shrewd and respected men were ruined. As the facts came out, this wreck seemed to have been deliberately planned by a handful of operators who organised the company.

SOCIAL CREDIT IN HUNGARY

The truths of Social Credit are not circumscribed by geographical boundaries, as witnessed by the fact that the circulation of a Polish edition of French Canadian Louis Even's Social Credit classic *"In The Age of Plenty"* has been followed by a similar Hungarian publication, terming itself *"National Credit"*, but paying tribute to C.H. Douglas, the author of Social Credit.

I Learn the Art of Shearing

I decided to go to New York for a few weeks and study the game. I loafed about the corridors of the Waldorf-Astoria for a week or ten days and absorbed all the information I could find. In a few weeks' time, I knew more about securities, the characteristics of men of the Street, and the system they employed than many men who had spent a lifetime there.

Of one thing I became sure: speculation in Wall Street had ceased to be a matter of gambling on equal chances. It was a matter of being on the inside; and if you were fortunate enough to be there, it was a dead sure thing. The big deals, the Napoleonic coups that wrecked individual fortunes, cleaned out the West, and almost paralysed communities were dominated by a single hand or a small group of men that knew more about the game than all the others combined. And they had power to dictate terms of life and death to those who opposed them, to all industry even, and to make or mar the strongest railroad in the land.

The source of this power lay in their financial resources, in the banks, trust companies, insurance companies they controlled. If you can control the banks, you can control Wall Street. If you control Wall Street, you can control the big industries and the financial institutions of the nation. For the big banks make the loans, they determine the value of collateral and the margin required they know everything about securities and apparently everything else. I came to the conclusion that they made the news or the rumours of news, and then the newspapers created the atmosphere of the Street. The banks were supreme in Wall Street, and a few banks at that. This much I had become convinced of. And all the indications proved that these interests were responsible for the Amalgamated Copper deal.

This much determined, I laid out a plan of campaign. The United Trust Company kept large reserves in New York, with the Chase National Bank. It was one of the strongest, if not the strongest, bank in the Street. It was controlled by Rockefeller's Standard Oil crowd. I had some acquaintance with the president, Steele. I was confident that he would not betray me, and I knew he would not let anything happen that would jeopardise our banking relations.

I had called on him several times on matters of bank business, and one morning I said: "Mr. Steele, I have come to the conclusion that more than anybody else, you make the markets in Wall Street. Or if you don't do it, your crowd does."

He demurred, but I persisted: "You know that the banks, and especially your banks, pass upon the value of all securities in the Street. If you wanted to do so (I don't say that you ever do, but if you did) you could discredit them; you can call for more margin; set a bad story going and the newspapers are only too willing to take it. One only needs to set a rumour going. It is as good as a reality. And it sets everything tumbling. And were you disposed to do it, you could precipitate a panic today by merely calling in your loans or by discrediting a line of securities. Just think, man, of the banks, trust companies, financial institutions that you control. You can break not only brokers but corporations and railroads. You could throw the entire country into convulsions if it were to your interest to do so.

The national banks and trust companies that you control have over \$400 million on deposit, nearly half as much as the government debt. Now suppose you wanted to secure control of a railroad or any other good thing. How easily you could do it by starting a few rumours, by discrediting a stock, by calling for

more collateral, by tightening up the market! Or if that did not work, you could bring about a cut in dividends through your control of directors. In a hundred ways you have it in your power to clean out the marginal holdings of thousands of men in a week's time."

"I do not mind telling you one thing," said Steele, "If you go into your brokers' establishments out West when stocks are rising, you will find a lot of people buying stocks. What I want you to notice is that they are all buying. And they always buy when stocks are on the upward grade. Probably one person out of twenty of your people out West plays the other side of the market and sells short. All the rest buy. Now you know that a lot of people buying causes stocks to rise, and just so long as the people will buy just so long will prices continue to rise. You got caught in just such a universal state of mind when you bought Amalgamated Copper.

"Now remember this: when stocks are moving up, as they now are, it's the worst sort of a time to buy either for investment or speculation. But you people out West will never learn that fact no matter how hard you get hit, no matter how much you may suffer. You come back again to the game on each rising market, only to be among the losers when the next bear market comes along, as it inevitably does. As soon as the market gets started up, you begin to buy; and the higher the prices go, the crazier you all get. You are like a flock of sheep following after a bellwether. You never sit down and think or ask any questions.

"Now it's this fact that Wall Street counts on about once a year. The time to sell is when everybody out West is buying. If you understand this fact," he said, "you will learn one simple rule of the game. Why, if Wall Street puffed a corporation for manufacturing ice out of sunbeams and it went up fast enough, you fellows would buy it. Don't you see that fact? You would never think of selling short. Of course you would not. And yet every time you buy, somebody has to sell, and the men who are selling are those who know the value of a security. If it is a good one, they are all waiting for a chance to get possession of it again when it comes down."

And So....

Long before my election to the Senate I had learned two things pretty thoroughly. One was, if you want to get rich (that is, very rich) in this world, make society work for you. Not a handful of men, not even an army of men, but society itself. The other thing was that this can only be done by making a business of politics. The two things run together and cannot be separated. You cannot get rich in any other way.

The secret of great wealth is to make society work for you. If you are big enough, make the whole world work for you. If you cannot do that, be content to have America work for you. If that is impossible, get some city. Even the latter is a big enough proposition to put millions in your purse. Mr. Rockefeller made his hundreds of millions by getting the people of the globe to work for him. He did it by securing a monopoly of a commodity that all the world used. If you have millions of consumers of oil under your control, it is hardly necessary to add a penny to the gallon to build a palace or establish a university from the increase in earnings.

If you own a big railway system, you need increase freight rates but a fraction of a cent (and a small fraction, at that) to put on a new issue of stock and have it pay dividends from the start.

And if you own a franchise and can add a portion of a cent to your fares, or a few cents a thousand to your gas, the returns will come in at the end of the quarter in a way that will surprise you. This is the way to make millions - make society work for you. For if you can pick the pennies from the pockets of the public in large enough quantities, it is better than a big reduction in wages, better than a diamond mine; for by a simple process of addition, the pennies of the millions make up the millions of the few.

The big men, the names you read about, the Napoleons of finance, who have girded this country with railways, express, telegraph, and telephone lines, the men who operate on a gigantic scale, have all made society work for them. All a railway has to do is offer the service, and the growth of population and business makes money for them. They cannot get away from it. While they sleep, society is at work for them. The same thing is true of streetcars and gas companies. The growth of our cities does this; and if you can get hold of a good franchise, society will make you rich.

Take the Calumet and Hecla copper mine or the United States Steel Corporation. Society has been working all this time, and a universal necessity - a world demand - has arisen for iron and copper products. This is the way that one gets rich by letting society work for him, and it's the only way I know to get rich

A BOOK WHICH WILL CHANGE HISTORY

We believe in sharing all good news with our readers. It is not too much to say that Jeremy Lee's major work "*What Will We Tell Our Children?*", the result of many years of research, reading and contemplation, is one of those rare books which shed a brilliant light on the real state of the world. In the relatively short time since it was published last year, growing demand for the book has required several new editions. As witnessed by the endorsements of the book, it has an appeal transcending political boundaries. It is recommended by Graeme Campbell of the *Australia First* movement, and the Hon. Clyde Cameron, who was a senior Minister in the Whitlam Government. It has cut across denominational boundaries, with non-Roman Catholic as well as Roman Catholics recommending that the book is worthy of serious attention at the present time.

Brilliantly written in a style, which the average reader can readily follow, it is carefully documented and well indexed. The book documents the major events, which have brought Australia to the most perilous time in its short history. It points the way to our salvation, recommending that those who want to make a serious contribution towards saving Australia should read three major works on Social Credit by C.H. Douglas; "*Economic Democracy*"; "*Social Credit*", and "*The Monopoly of Credit*".

Although directed specifically at Australians, Jeremy Lee's work is so comprehensive that it has already appealed to many people right throughout the English-speaking world. An American publishing company has ordered one thousand copies with a request for exclusive distribution rights in the United States.

Every Social Crediter should have at least one copy of a book, which could change history. \$20, post free, from all League addresses.

without labour. You make society work for you by controlling a universal necessity that cannot be duplicated. The full beauty of this idea did not appear to me until I got into the gas and streetcar business. Then the possibilities of this principle began to dawn upon me. Every immigrant who landed in the city, every child that was born, made money for us.

The man who owns a piece of ground in a rapidly growing city, a franchise, or a coal, iron, or copper mine can go abroad in his private yacht and come back five years later to find his land, franchise, or mines more valuable when he went away. Society will have been busy all the time. If he owns a railroad system, all America will have been working for him.

It is this fact that makes railway franchises and sound mining stocks good things to buy where they are not overloaded with securities. The mines and railways cannot get away. Nor can they be replaced. They have a market already made.

And the same is true of city real estate. Take New York City. The land underlying the city is appraised by the tax department at over three-and-one-half billions of dollars - about the amount of the United States debt after the Civil War. Think of it! Much of this land wouldn't grow turnips, it is so barren. Yet it yields today, at five percent on this valuation, about \$185 million to those who own it. Some of it is worth more than the silver dollars it would take to blanket it. And its value keeps on growing. It is one of the safest investments in the world. For so long as New York remains the clearinghouse of the nation, so long will these values continue to grow. For society works all the time.

But it is this very fact that makes politics a necessary part of big business. Constant demands are made on local, state and federal governments to interfere with private business. And these demands can only be headed off by making a business of politics. The only way to control these movements is by controlling the party in power, be it Republican or Democratic.

It did not take me long to discover this fact in my business. If I wanted to protect my enterprises, whether in the city or the state, I had to enter politics.

In Wall Street today there is a small bunch of New York financiers who make the terms of the playing. For they control the banks, and the banks dominate the situation. They indirectly determine the market value of all securities by fixing their loanable value. They also make the news and the rumour of news; and one is as good as another in its effect upon the market.

The man who has a monopoly; a franchise; a railway; a coal, iron, or copper mine; a piece of real estate - suffers none of the discomforts of the average borrower. His franchise may have cost him nothing, but it is the best kind of collateral. And bonds can be issued and sold even before a spade has entered the ground. For the moneylender appreciates that such property cannot get away. Nor can it be duplicated. And every man, woman, and child that is born adds something to its value. In this sense, society works all the time; and he who has cornered some of the natural opportunities of the earth need not concern himself about good times or bad. The market is already created and it never grows less.

And all of these properties depend upon the government, either the city, the state, or the nation. To secure and maintain them makes politics a necessary part of business. First, let society work for you; and second, make a business of politics. These are the rules of big business. They have superseded the teachings of our parents and are reducible to a simple maxim: Get a monopoly, let society work for you, and remember that the best of all business is politics; for a legislative grant, franchise, subsidy, or tax exemption is worth more than a Kimberley or Comstock lode, since it does not require any labour, either mental or physical, for its exploitation.

C.H. DOUGLAS PARTICIPATES IN HISTORIC B.B.C DEBATE

Not only because of its historical interest, but because it provides such a clear exposition of the realities of modern finance-economics, we publish a contribution by C.H. Douglas in a 1931 British Broadcasting debate with Mr. Denis Robertson, a Fellow of Trinity College Cambridge, mathematician and economist

Mr. Denis Robertson said, in opening his address that "we agree that banks create money when they make loans to customers or buy securities from the public." Our copy of Douglas's B.B.C. address in his debate with Denis Robertson is taken from "The New Economics" of August 18, '1933. "The New Economics" was an early Australian Social Credit journal, published by two officers of the Victorian State Savings banks, W. Browning and Cedric Haysthorpe:

There is little doubt, or indeed, difference of opinion in circles familiar with these matters that the root of the world's unrest is to be found in the working of the financial system. A glut of goods on the one hand, combined with the capacity to produce still more goods; and an immense unsatisfied demand for goods, verging on poverty, on the other hand, are ample proof that it is the link between production and consumption which is faulty. The link between production and consumption is money. At this point, however, there is a broad divergence of opinion into a school which suggests that the financial system came down from Heaven, and is in itself perfect, while only man, and particularly the banker, is vile; and a school of thought, to which I belong, which suggests that man and the

banker will have to be a great deal viler than they are to make such a mess of a perfect system as would produce the state of affairs existing in the world today. To us, the key to the present distresses is in the word "Debt", with its converse in "Credit", and we say that under modern conditions the present financial system automatically creates debts in excess of the power of the public to liquidate them by its outstanding credits.

We know why this is so. The creation of real wealth, goods and services does not create the money to buy those goods and services. Money is created by the banking system in the same way as if it were created by printing bank notes, and it reaches the community as a debt to the bank, unless issued in payment for securities, which constitute the control of capital assets. If I

grow a ton of potatoes I do not grow the money to buy a ton of potatoes. The banking system makes the money, and claims it as its own, and lends it upon its own terms. Since this money will "buy" my potatoes they belong potentially, with everything else, to the banks. The money issued by the modern financial system, with the exception of what we might call "small change" is therefore issued as a mortgage and pays interest to the banking system. If it is alone it pays interest directly. If it has been issued in return for the sale to the banks of stocks and shares (since the banks rarely buy anything but debentures or preference stocks), the interest on these stocks also forms a perpetual charge on the money issued. Not merely the interest on the mortgage, however, but the mortgage itself has to be paid off, and the money value both of the interest and of the repayment of the mortgage can only be collected from the public through the agency of prices or, in the case of Government debt, of taxes. As a result of this, the general level of prices is too high for the consumer and too low for the producer. The truth of this contention is proved by the mounting figures of debt, which show that we are not from day to day paying our way, and it is significant that this increase of debt is greatest in times of greatest industrial activity, culminating in a situation which produces what we call a "slump", accompanied by a repudiation of debts both public and private.

Now it is obvious that there is a great difference between a debt which represents the loan of money, laboriously saved through a lifetime of hard work, and invested, let us say, in industrial shares, or in a small business, and the much larger debts which are created by the banking system by writing figures in a book or by printing notes, or lending them. The genuine investments of the public for the most part go to pay off bank loans or costless money which were issued for the purpose of producing real capital in the form of machinery or buildings, and when these loans have been repaid by the investment of the public there is no money outstanding in respect of these capital assets; it has been destroyed by the bank. The new owners, however, by industrial cost accounting, endeavour to sell the real assets to the public by including them in the price charged for goods and services, and as the money equivalent of these prices does not exist they fail, or, as the phrase goes, "their businesses do not pay."

This portion of the problem, while puzzling, can be shortly stated. The present financial system claims payment in money for the creation of money itself. Since it creates all money, payment in money for the use of money can only be made by creating fresh debt. In addition to this claim by the bank for the use of its money, the industrialist, with much more reason, claims payment for the use of his real plant and buildings; and he claims it also in money. Neither he nor the banking system, however, recreates the necessary money to enable this payment to be made by the public.

This situation is progressively serious, since modern production is machine or capital production rather than hand or labour production, so that the proportion of wages and salaries to capital charges is progressively less. We have, therefore, two problems to solve: first, to make it possible for the general population to buy the goods which are produced by a diminishing number of people, and an increasing amount of machinery, without going deeper and deeper into debt; and, secondly, to do this by a method which does not require the whole of the population to be employed. Obviously, we do not do

this by the dole system, which merely takes away from one part of the population, by taxation, a certain amount of money for the benefit of the unemployed, but does not in any way increase the total amount of money available.

What are commonly referred to as the "Douglas Credit Proposals" consist of recognition of this situation and a number of varying proposals designed to meet it. While the principles of these proposals remain substantially the same the proposals themselves are capable of considerable variation, and are, in the nature of things, bound to be somewhat complex. The main features of these proposals consist in an issue of money, partly devoted to enabling a large reduction of prices to be made, while ensuring a proper return to the producer of goods, and partly by an increasing dividend to every British-born citizen. These two issues provide the purchasing power necessary to form a demand upon the producing system, either up to the capacity of the producing system to meet it, or until the needs of the population are met, whichever is the smaller, and by their adjustment the new situation created by machine production can be met. There is no more difficulty in creating the money for this purpose than there was in creating the enormous sums of money required to prosecute the European War, which amounted to nearly ten millions sterling per day. It can be done without introducing any features into our financial system, which are novel in mechanism. Since this money would be retired either by its use in purchasing consumable goods, or in the purchase by the public of the securities which represent capital assets, in the same manner that the sale of securities by a bank destroys money, it would not remain as a debt against the public.

Let us turn for a few minutes to the results, which would follow the institution of proposals based upon such principles. Poverty, and perhaps even more important still, the fear of poverty, would disappear forever from this country. At the outset there would be a large increase in employment, since the money would be forthcoming to enable purchases to be made from the shops and those purchases, by emptying the shops, would fill the factories with orders for goods to replace them. The producer in every grade of life would be assured of a reasonable return for his activities, and, by being delivered from the fear of the irrational booms and slumps which are caused by an irresponsible and defective monetary policy, would be encouraged to employ the best machinery, the best methods, and the best men. As a result of this, we should find quality becoming a more important matter than price. But perhaps the most immediately important effect would be upon international relations, which are a matter more of economics than of what is commonly called "good will".

The inability of the population of any modern industrial country to buy the goods which it itself produces makes competition for foreign markets the inevitable policy if any Government, no matter what political label may be attached to it. Since all modern countries are becoming industrialist, it is an impossibility that all countries can export more than they import, and this situation is that which is at the root of modern wars. By the institution of a modified financial system, which would rectify this lack of balance between purchasing power and collective prices, and at the same time remove the economic distress, which now accompanies unemployment, this pressure to export would immediately be relieved. This does not mean that foreign trade would cease. On the contrary. It is clear that if we cannot buy the goods we ourselves produce we cannot buy goods

which are exchanged for them at the same price. But the ability to buy our own goods sets us free to exchange goods with other nations upon equitable terms. It seems impossible to doubt that such exchange would both take place and would increase, as the progress of the industrial arts enabled all of us to employ more of our time in enjoying the things that we produce, rather than in making them for the purpose of export to undeveloped countries.

You may very reasonably ask, if the difficulties of the world are in essence bookkeeping difficulties, which they are, why it should be so difficult to alter them. I am afraid that there is only one answer to this. Imagine yourselves possessed of the sole

legal right to create money. Would you be inclined to listen to arguments, which would severely modify this monopoly? Probably not. Financial institutions have such a monopoly, and are fighting to retain it. For this reason the first step to a better state of affairs is a wider public understanding of the existence and nature of this "monopoly of credit", as it is called. I am so convinced myself that a majority of bankers, particularly in this country, are themselves only operators of a system, which they take for, granted, that I have little doubt that public opinion could be brought effectively to bear upon the international minority who may, perhaps, be considered as unteachable.

BASIC FUND CHALLENGE

There was the usual falling off of contributions to the League of Rights Basic Fund during the holiday season. But as 1998 dawns, the challenges facing the League of Rights were never greater. Although the League has never been directly involved in party politics, it has over many years had a major influence on political developments, not only in Australia but also in those Crown Commonwealth nations where the League exists. The League's influence extends into all aspects of human activities, not only political and economic, but cultural, philosophic and educational.

It is not too much to say that the future of Australia depends upon the future of the League. While the League depends on the volunteer principle, adequate finance is required to sustain the

League. While the Basic Fund provides only a part of the League's total financial income, it guarantees that the League can plan ahead with reasonable certainty. As we go to press the Basic Fund now stands at just over \$42,000. This leaves a deficiency of \$23,000 to reach the target of \$65,000. What is required now is a concerted effort by those who have not yet contributed. We are well aware that some of these have been holding back to see how big the deficiency is, before making their contribution. May we urge potential contributors to send their contributions as quickly as possible. All donations to the Australian League of Rights, Box 1052J, G.P.O., Melbourne 3001. In order to keep postal expenses to the minimum, receipts are only forwarded upon request.

SIFTING THROUGH THE ASIAN 'MELTDOWN'

As was to be expected, the International Monetary Fund has so far quelled the many signs of resistance to its terms among the governments of Asia. Tax-imposts are to be raised and tightened, budget deficits eliminated, interest rates raised and so forth.

Meanwhile, giant multinationals, basically creatures of the banks, which financially spawned them, are sifting through the wreckage to see what they can take over. For example, General Motors is now negotiating to assume ownership of the Korean car industry. A rash of similar takeovers and mergers can be expected. The job of the IMF is to ensure that those on the canvas struggling to beat the count cannot do so by their own efforts.

Nevertheless, the IMF has not been immune to criticism, muted though it has been. So there is added urgency to complete the ratification of the Multilateral Agreement on Investment, which would forestall any belated move by national governments for a return to sovereignty.

Any nation craven enough to accept the terms of this document will forfeit its right to make any conditions for future investments from beyond its borders; or to control the entry, conditions, behaviour and operations of transnational corporations within its country. It will be illegal for a government to discriminate in favour of local investors or

against foreign investors. This will apply to property; TV stations or the media in general. Nor could there be any measures taken against profits taken out of the country.

The significance of this can be seen in recent documents released by the Australian Tax Office (*Courier-Mail*, January 14, 1998) showing that almost 100 multinationals in Australia each making more than \$300 million in Australia, paid no tax in 1996. As this sort of news permeates the battered community, there is bound to be an outcry sooner or later. It is to forestall any possible reaction that the M.A.I. has been designed.

The M.A.I. is to be first approved by the industrialised countries in the OECD, and then foisted on the rest of the world through the World Trade Organisation. Once ratified, any offending nation or government will be liable to legal prosecution before a WTO tribunal.

Australia will be asked to become a signatory in May. With 90 percent of corporate Australia already foreign-owned, some may think it is too late. But the internationalists have not finished with us yet! We still have a few independent farmers left and a significant, if highly stressed, small business sector. The Multilateral Agreement on Investment is designed to forestall any belated effort to return to sovereignty and freedom.