

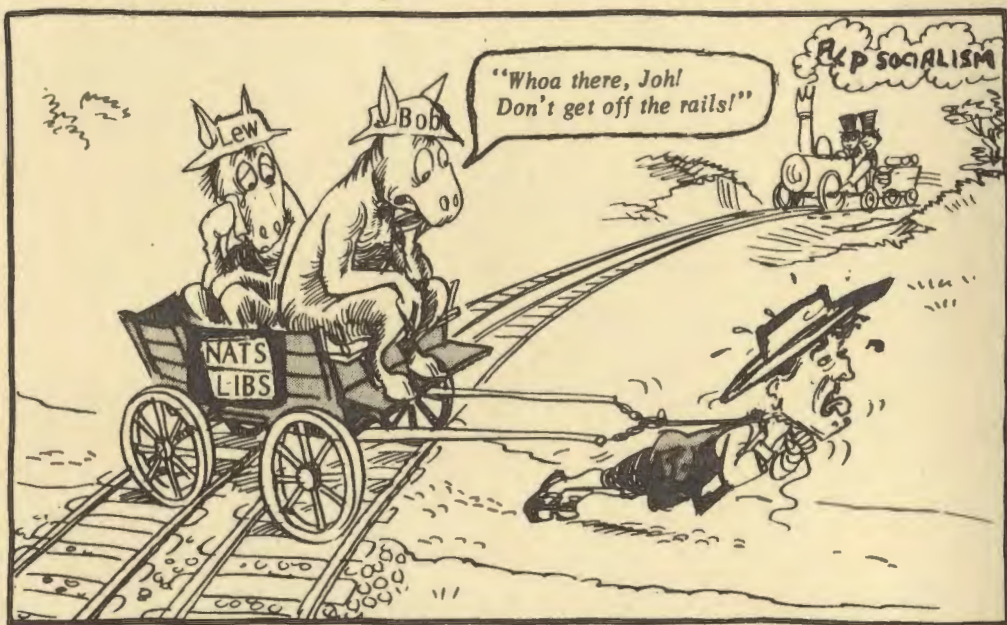
# THE CASE FOR A QUEENSLAND STATE BANK

by

Jeremy Lee



## Why Sir Robert is WRONG!



The Cross that Joh has to bear!

# THE CASE FOR A QUEENSLAND STATE BANK

HERITAGE BOOK SERVICE  
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To live on borrowed money and perpetually to borrow more is not a state in which either man or nation can thrive. Yet this is the position of Britain today and one in which, though to a lesser degree, she has been ever since the two World Wars of the first half of the century, which were paid for by borrowing on the future. And for the past 20 years, though in peacetime, to pay for the Welfare State successive governments have been creating money by increasing borrowing on the "never-never", the interest on which has to be met by ever-rising taxes, price increases and charges for public services. In a quarter of a century the annual interest on central government debt has risen more than tenfold from £705 million in 1955 to the staggering total of £8,661 million in 1980 — more, that is, than the annual cost of either defence, public health or education. In 1962 the national debt of the United Kingdom stood at £28,674 million — or roughly four times what it was in 1914. In 1980 it stood at £91,245 million. By 1981 it had risen to £112,780 million.

The consequent rise in the interest charges payable by taxpayers and all producers of real wealth has caused an inflationary fall in the value and purchasing-power of money, so that everything today buys only a tenth or less of what it could buy 25 years ago. At no time has there been such a rapid and socially disturbing fall in the value and buying-power of money. Today a Government deeply and sincerely dedicated to the restoration of economic honesty in our public and economic life, and striving desperately to achieve it, is having to rely on money which in little more than 20 years has lost nine-tenths of its value. It is, in fact, the most inflationary — and, therefore, dishonest — money ever issued in our history, even more than that caused by Henry VIII's debasement of the coinage through clipping it.

**Sir Arthur Bryant,**  
Noted Historian,

**Illustrated London News, February, 1983**

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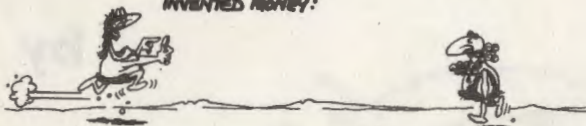


## Why Sir Robert is WRONG!

# STANLEY by Murray Ball

the adventures of the Great Palaeolithic Hero

"HEY GUS, I'VE  
INVENTED MONEY!"



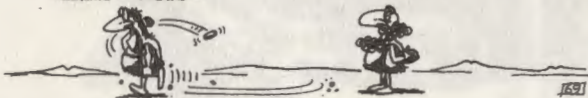
"A small, convenient trinket  
to save carrying about elephant tusks  
and barrels of  
honey for  
swapping..."



"That's a wonderful idea Stanley!  
All that is now required is to establish  
its EXCHANGE RATE, its PARITY with gold, sterling  
and the German mark. Whether  
it should REVALUE, DEVALUE or  
float to find its own level. And  
how to maintain its VALUE in  
the face of GALLOPING INFLATION..."



"I'd rather have  
a pocket full of  
mammoth tusks..."



THE BULLETIN,

January 1, 1972

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“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. The rights of self-government of the States have been fondly supposed to be safe-guarded by the Constitution. It left them legally free, but financially bound to the chariot wheels of the Central Government. Their need will be its opportunity. The less populous will first succumb; those smitten by drought or similar misfortune will follow; and finally even the greatest and most prosperous will, however reluctantly, 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.”

**Alfred Deakin,  
Prime Minister,**

**Sept. 24, 1903 - April 27, 1904**

**July 5, 1905 - Nov. 13, 1908**

**June 2, 1909 - April 29, 1910**



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## FOREWORD:

It was during the 1974 State election campaign that the Premier first promised a State Bank for Queensland. That is now nine years ago. Midway through 1983 it seems no closer than when first promised.

It is widely believed - whether rightly or wrongly - that the delay is partly due to the opposition of the National Party State President, Sir Robert Sparkes. Among the reasons Sir Robert has given for his opposition is one which suggests that the majority of State Bank proponents are influenced by the social credit proposals of the Australian League of Rights. Another says that acceptance of State Government involvement in banking is to admit the validity of Socialist/Communist philosophy.

I believe Sir Robert's arguments are misguided, misinformed and wrong. I believe that, taken to their logical conclusion, they will compromise free enterprise and State sovereignty in Queensland, ultimately destroying freedom. I do not contribute to the suggestion that Sir Robert is motivated by anything other than sincerity. But his latest statement giving his reasons for opposing the establishment of a State Bank is so full of errors as to demand an answer.

In 1970 and 71 there was a period of intense confrontation between the Country Party (as it then was) and the Australian League of Rights, initiated by the Federal leader, Mr Doug Anthony, who alleged the League was a Nazi-type organisation. To their credit, Sir Robert Sparkes and members of the Party's management committee disassociated themselves from that allegation, for which there was no shred of evidence.

However, on October 14th and 21st, 1971, Sir Robert published two full-page articles in the **Queensland Country Life**, defending the Country Party from the accusation that it was not carrying out its policy - an accusation which he laid at the door of the League of Rights.

There is little point in raking over old coals - except that in his first article Sir Robert said:

*"... As a result of the investigation of the Management Committee, the Country Party has formulated a set of proposals designed to curb inflation and assist the rural community (both country towns and districts). The*

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following are some (not all) of the more important of these proposals. . . which were put to the Deputy Prime Minister and the Premier Mr J. Bjelke-Petersen in July 1971 (the list covered 22 points, which included the following):

*"That the Government consider reducing Sales Tax on those items that directly affect the cost of production as an anti-inflationary measure."*

*"That, because of the great importance of maintaining viable primary industries in Australia, the Federal Government should provide a source of long-term, fixed contract interest rate finance, below 3% to individual primary producers adversely affected by drought, low prices and rising costs. . ."*

(Re: Funds For Rural Reconstruction) *"that the funds applied to restructuring debts be lent out at 1% as opposed to 4% at the present time."*

In his second article Sir Robert criticised the League's financial proposals including that of price subsidisation, which had been in the Country Party National Policy for a number of years.

In my full-page reply (Q.C.L. November 4th, 1971) I answered Sir Robert point-by-point, correcting a number of errors he had made, and showing how some of the policies he attributed to the League [notably price subsidisation] were in fact previous policies of his own Party.

Part of my answer said: *" . . . We have always made it clear that we would oppose an indiscriminate increase in the volume of money in Australia. Indeed, we have pointed out that if anyone is increasing the volume of money in such a way as to lessen its value, it is those responsible for present policies . . ."*

That point should be kept in mind when reading Sir Robert's objections to a State Bank. Sir Robert reiterates the charge that the League would *"create unlimited amounts of interest-free money"*. **He knows that charge is not true!** Why, then, does he continue to put it forward?

My answer went on: *" . . . Over-production, rising unemployment, enormous waste, built-in obsolescence, economic duplication and a depletion and prostitution of natural resources of such magnitude as to*



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*threaten the future of the human race all give the lie to current financial dogmas. It is a cause for some hope that, while Mr Sparkes accepts without any question a status quo which will become increasingly more difficult to defend as rising unemployment and inflation carry us to a point of crisis, a growing number of economists have become seriously disillusioned with their own policies . . ."*

That crisis is now here. A list of statistics would only bore the reader. Industrialised countries are staggering through a massive debt accumulation. Thirty two nations could not meet debt charges as we entered 1983. The former British Cabinet Minister Lord Lever recently said: *"The grave disorder in the world's banking system is now plain for all to see. . . 'De facto' defaults have occurred and more are imminent. Formal default has been avoided, but only by postponing obligations; these postponements are becoming so common that the distinction between formal and actual default has become virtually academic . . ."*

Three areas - out of many - deserve mention in Queensland. The Cattle Industry crisis was recently described in these words (**Weekend Australian, April 30th - May 1st, 1983**):

*" . . . After two years of the worst drought on record, the statistics are devastating; 24,000 cattlemen and 45,000 farmworkers have left the industry. 100,000 associated country jobs were lost to the rural community. The national cattle herd has shrunk 34 percent since the 1976 peak of 33.4 million, a partial consequence of the drought, but a reduction commenced owing to low prices and a lack of confidence in the industry. 25 Export abattoirs have closed. 9,000 meatworkers have lost their jobs. . . Because of inflation and the recession, the average farmer in this country will earn \$2,000 this financial year - well below the dole - and many will earn nothing at all . . ."*

Secondly, the Cane Industry crisis, which has devastated farming in Queensland's coastal areas. Facts and figures are hardly necessary - the situation is self-evident.

And thirdly, the Local Government crisis; **The Queensland Times** (June 3rd, 1983) only reiterated what many articles are now saying: *" . . . The Local Government Association of Queensland pointed out to the Premier that*

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*Councils in Queensland would be forced to retrench staff if rates and charges were frozen," Alderman Freeman (Ipswich Mayor) said. "Council finances at present are in a precarious position as a result of cut-backs in grants and subsidies and rapidly diminishing rate income as a consequence of general economic circumstances. Obviously, councils want to maintain current employment levels and a freeze on rates and charges during 1983-84 would make this impossible, given the funding cut-backs that have occurred in the last two years and the cost increases that will have to be borne next financial year, including fuel costs, the loss of diesel excise exemption and the new cheque tax. Any freeze would put people out of work which would then require Federal and State funds to re-employ. This would be a ludicrous and calamitous situation."*

What would the position now be had the policies Sir Robert Sparkes was advocating in 1971 been achieved? I venture to say the Queensland position would be much healthier.

This, then, sets the scene for the current controversy over State Banking. Either the Premier, the Hon. Joh Bjelke-Petersen, or Sir Robert Sparkes, is right. Evidence in support of the issues is important. Sir Robert Sparkes, as President of the National Party, is under an obligation to explain how he will achieve interest rates "below 3%", as advocated by his Party in 1971. It was on this policy he appealed for loyalty to the Party at the time. Surely, 12 years is enough time to achieve those results?

Jeremy Lee  
Ravensbourne  
July, 1983



## **WHY I OPPOSE THE ESTABLISHMENT OF A STATE BANK IN QUEENSLAND.**

(A personal explanation by Sir Robert Sparkes, State President, National Party of Australia, Queensland.)

It is necessary that I express fully the principal reasons why I strongly oppose the establishment of a State Bank in Queensland, because of the letters that I have received, either seeking an explanation of my attitude towards the establishment of a State Bank, or criticising me for my opposition to that proposal. However, I must stress that what follows is a personal explanation and not a detailed treatise on this somewhat complicated subject.

## **ADVOCACY OF A STATE BANK IS MOST VOCIFEROUS IN TIMES OF ECONOMIC DIFFICULTY.**

The suggestion that the Queensland Government and/or Parliament should establish a State Bank has been current with varying degrees of emphasis for a considerable time. It is noteworthy that the advocates of this proposition are most vociferous in times of economic difficulty, especially when money is in short supply and/or interest rates are up.

Advocacy of a State Bank of one sort or another has emanated from a wide diversity of individuals and organisations, but especially from members of the League of Rights or people who have been influenced by League of Rights propaganda. For reasons which will become abundantly clear in the course of this explanation, members of the League of Rights support the concept of a State Bank because it accords with their economic doctrine which in essence is Douglas Credit or Social Credit theory.

## **MY OPPOSITION TO A STATE BANK PROVOKES A PERSONAL ATTACK ON ME.**

The proponents of a State Bank became particularly active in the period leading up to our 1982 State Conference, during the Conference, and in the weeks following. It is now history of course that, because of my outspoken opposition to the establishment of a State Bank, and in particular because I had publicly stated that I would be seeking a review by our State Conference of a previous decision narrowly carried in support of a State Bank, I became the subject of a fairly vituperative attack by a section of those advocates of a State Bank.

Because the Premier had evinced some sympathy for the proposal, it was quite preposterously alleged that I was not only in conflict with him over this issue, but that I was being disloyal to him and endeavouring to frustrate him not only in regard to a State Bank, but also in his other endeavours to

assist the community. It was equally absurdly argued that somehow or other I was being wicked, in fact even sinister, in seeking a review of Party policy on this issue at the 1982 State Conference.

### **NO SERIOUS CONFLICT WITH THE PREMIER.**

These allegations were clearly designed to discredit me, and therefore before proceeding with this explanation I want to refute both completely. I was not at that stage, nor have I ever been in serious conflict with the Premier in relation to this issue. Whilst he may have had some inclination to support the establishment of a State Bank and I have been consistently opposed, this does not result in our being at loggerheads, nor did it result in a situation as alleged by my critics, whereby I was preventing the Premier taking other measures that were necessary in the best interests of the community.

### **EVERY RIGHT TO SEEK CONFERENCE REVIEW OF POLICY.**

The suggestion that I had no right to seek a Conference review of policy on the State Bank issue is utter nonsense. It is the prerogative of every member from the President of the Party down, if he or she so desires, to seek a review of any aspect of Party policy. If this was not the case then of course modification of Party policy would be impossible, and only a fool would suggest that with changing circumstances Party policy should not be reviewed and where necessary modified or revoked from time to time.

### **CONFERENCE WAS NOT MISLED.**

I must also refute another mischievous allegation which was peddled after the last State Conference and seriously reflected on my honesty and integrity. It was claimed that I had deliberately misled Conference during the course of the debate on the State Bank issue, and as a result of my misleading Conference, it arrived at what was in fact an incorrect decision on the issue, namely, the decision to defer any further action on the establishment of a State Bank until after 1985.

Specifically it was asserted that I misled Conference by advising delegates that the State Government could not implement any form of a State Bank until after 1985, because there was an agreement between the State Government and the Commonwealth Bank which provided that the State Government could not establish any form of savings bank until the agreement expired in 1985. This is nothing less than a deliberate misrepresentation of my advice to Conference.

What I did say was that one of the principal sources of deposits for a State Trading Bank would be the very considerable funds at present lodged with the Commonwealth Savings Bank, because of the agreement referred



to. I went on to suggest, quite validly, that because the State Bank would not have available to it this significant source of deposit funds, it would be seriously handicapped, and therefore the logical approach was to defer consideration of the establishment of a State Bank until after the expiry of the agreement with the Commonwealth Bank.

I repeat at no time did I state as has been alleged that it was impossible, legally impossible that is, for the State Government to establish a State Bank until the expiry of the agreement in 1985.

### **THE MOTIVES OF THE STATE BANK ADVOCATES.**

Before proceeding to detail my objections to the establishment of a State Bank, it might be advantageous if I was to dwell briefly on what appear to be the motives of those people and organisations who are strongly advocating a State Bank. It would seem there are three groups of people, in some cases overlapping groups, who favour the establishment of a State Bank, namely:-

1. Those people who seek a State Bank because they believe it would substantially augment State revenue; and/or
2. Those people who envisage a State Bank as being a source of virtually unlimited loan money on a long-term nominal interest basis for both Government and individual; and/or
3. Socialists who naturally support the concept of a State Bank because Government ownership is an integral part of their socialist policy and platform.

### **THE MAJORITY OF STATE BANK SUPPORTERS SEE IT AS A SOURCE OF UNLIMITED CHEAP LOAN MONEY.**

I do not propose to elaborate on those people who see a State Bank as a means of enhancing State revenue, nor is there any need to dwell on those people who support a State Bank proposal because of their socialistic philosophy. However, probably the majority of supporters of the State Bank proposal fall into the second category referred to above, namely those well meaning but quite misguided people who look upon a State Bank as being a panacea for all our economic ills.

These people believe that a State Bank would be able to provide the State Government, Local Government and individuals with loan money over very long terms, at say 1 or 2% interest. They suggest quite incredibly that because the State Government and Local Government would have this remarkably cheap money available in unlimited quantities, both State Government and Local Government charges could be minimised, if not eliminated entirely. Hence in the propaganda circulated in favour of a State

Bank, we read that people in all walks of life, but especially the less fortunate such as pensioners and other needy people would, if a State Bank were created, enjoy a great reduction in the cost of living and therefore a much easier and more pleasant life.

According to the same specious reasoning primary producers who are presently suffering hardship either because of the drought and/or the high cost of borrowed money, would have their problem miraculously solved by their being able to obtain from the State Bank all their financial requirements at virtually no cost.

### **MANY STATE BANK SUPPORTERS ARE INFLUENCED BY THE SOCIAL CREDIT THEORY OF MONETARY CREATION — “FUNNY MONEY”.**

Suffice to say at this stage, people who have this concept of a State Bank are obviously influenced in their thinking by the Social or Douglas Credit theory of the creation of money, i.e. “funny money”. It is funny money in the sense of being peculiar not humorous (sic).

I am sometimes asked by members of the Party and others what is meant by “funny money”. It would be inappropriate for me in this particular explanation to attempt a lengthy and somewhat technical explanation of what is meant by funny money. Suffice to say that it is a phrase used to describe money that is virtually manufactured or perhaps one might more appropriately say printed as a result of the operation of the social credit process. It is money without substance, fairy tale type money, and only people who believe in fairy tales could possibly suggest it as a means of funding Government or individual requirements.

### **A STATE BANK IS INCOMPATIBLE WITH THE NATIONAL PARTY'S FREE ENTERPRISE PHILOSOPHY.**

My own opposition to the establishment of a State Bank is based on three principle grounds, namely philosophical, practical and political. Dealing first with my philosophical objection, I must say I am always amazed that people who pretend to subscribe to the philosophy of free enterprise can seriously argue for the establishment of a State Bank. According to my dictionary the definition of socialism includes as one of its principal ingredients Government ownership of enterprises that normally are privately owned and operated. Undoubtedly a State Bank comes under that description and is patently and indisputedly (sic) a socialist concept and exercise.

Therefore to me the advocacy of a State Bank is utterly incompatible with the National Party's and my own philosophy of free enterprise. In fact, it is obviously the sort of proposition that the A.L.P. Socialists would advocate and do advocate. I would remind all readers that the basic philosophy of the



Socialist A.L.P. is "the socialisation of the means of production, distribution and exchange." Quite clearly banking comes under the heading of exchange and therefore is a principal ingredient in the Socialist A.L.P. recipe for the wellbeing of this State and Nation.

### **FREE ENTERPRISE MUST ALWAYS PREDOMINATE IN OUR ECONOMIC SYSTEM.**

No doubt many proponents of a State Bank will counter my argument by saying that in practice it is impossible to have a pure unadulterated free enterprise system. That in fact what we must accept is a mixture of elements of both the Capitalist and the Socialist systems. Whilst I would concede that there is some truth in that observation, I cannot overstress that in this mixture there should always be an overwhelming predominance of the free enterprise system.

Unfortunately, over the last couple of decades as a result of relentless, incessant and insidious propaganda and pressure by both Socialists and Communists, the socialistic element in this mixture has grown increasingly, in fact, to alarming proportions in some instances. National Party members who have a great commitment to the free enterprise system should not be aiding and abetting this insidious erosion of our free enterprise system by the extension of Government into more activities. Instead they should be resisting these trends and helping to reduce Government intervention in our lives and build up our free enterprise system.

### **ACCEPTANCE OF STATE GOVERNMENT INVOLVEMENT IN BANKING IS TO ADMIT THE VALIDITY OF SOCIALIST—COMMUNIST PHILOSOPHY.**

To those advocates of a State Bank who argue that we should not object to the State Government becoming involved in banking, because it is already involved in other areas that are clearly considered the preserve of private enterprise, I would stress an old and fairly self-evident truth namely compounding a wrong does not correct it! Moreover, if we conceded that there is a valid case for State Government involvement in banking to protect and promote the public interest, then how could we logically draw the line there? Why not have the Government enter the service station business, so that we can have cheap petrol? The mind boggles at the socialistic corollaries that flow from the argument that Government involvement in a State Bank is justified.

Surely if we accept this argument, we must admit the validity of the basic premise of the socialist communist philosophy, namely, that Government enterprise serves the public interest better than private enterprise! In short, we would be abandoning our National Party philosophy of free enterprise in favour of socialism.

## **THE CONCEPT OF A STATE BANK PROVIDING UNLIMITED CHEAP LOAN MONEY IS UTTERLY IMPRACTICAL.**

I come now to the second ground on which I oppose a State Bank, namely what I have referred to as the practical ground. Perhaps a more accurate way to describe this objection is to refer to it as the impractical aspect of the State Bank proposition. Let me make it quite clear that in asserting that the State Bank proposition is not practical, I am not stating that a State Bank could not augment State revenue. I am prepared to concede that it is possible that a State Bank could augment State revenue, although one must point out that the whole history of State involvement in commercial enterprise has been generally one of dismal financial failure.

I would remind you of the fact that many years ago a State Labor Government, in keeping with its socialist philosophy, embarked on a number of commercial ventures, including mining, hotels, butcher shops etc. but eventually it had to abandon these ventures when accumulated losses in today's monetary terms approached \$100 million.

What I do say is totally impractical and impossible is the concept of a State Bank providing unlimited loan money for the State Government, Local Government, and individuals at a nominal rate of interest and thereby serving as a panacea for all our economic ills! As I remarked earlier, this concept of the functioning of a State Bank is obviously based on the Social or Douglas Credit theory of the creation of money, a theory which is an integral part of the League of Rights economic doctrine.

## **THE GERMAN AND WHITLAM LESSONS THAT MONEY CANNOT BE MANUFACTURED BY MERE BOOK ENTRIES WITHOUT DISASTROUS INFLATION.**

Whilst the Social Credit economic theory is attractive and plausible, one does not need to be an economic pundit to perceive the flaws and fallacies inherent in it. In fact, common sense and a little knowledge of history serve to tell us that money cannot be manufactured by mere book entries. That is, out of nothing to any great extent without massive inflation and consequent disaster.

One only has to recall the disastrous consequences in Germany between the two world wars when the Government of that country misguidedly embarked on credit creation by virtually printing more and more notes to meet its monetary needs. The totally predictable consequences of this foolish exercise, as we all now know, were galloping inflation and the complete undermining of the country's economy which resulted in the rise to power of Adolph Hitler and his Nazy Party.



Much more recently and right here at home in Australia, we have the lesson of the Whitlam Government's shockingly irresponsible credit creation. It will be recalled that Gough Whitlam to finance his various scatterbrained socialist ventures resorted to printing money by the billions of dollars through massive deficit budgeting.

In effect what he did was just turn the printing presses on and produce paper money - money without real backing! The disastrous consequences as in the case of Germany were totally predictable. Australia suffered the most massive and devastating upsurge in inflation in its history and the country has never fully recovered from the effects of that shocking economic mismanagement. One would have hoped that the Whitlam lesson would never have been forgotten, but unfortunately the public's memory is all too short indeed.

### **NEW ZEALAND INQUIRY FINDS THE SOCIAL CREDIT THEORY FALLACIOUS.**

The judgement of common sense and history that the social credit theory is fallacious is fully confirmed by the findings of the Royal Commission of Inquiry in New Zealand into all aspects of the social credit theory some years ago. I need hardly stress that this was a proper judicial inquiry conducted dispassionately and objectively, and therefore an inquiry on whose findings considerable reliance can be placed.

Some years ago in New Zealand the social credit theory gained so much credence and popularity that it became a very significant factor in the politics of that country. In fact the advocacy of an economic system based on the social credit theory became so strident that it was decided that there should be a competent judicial inquiry to establish the validity or otherwise of this theory before it influenced the fate of the Government and the economy of the Nation. Time does not permit to furnish a detailed summary of the findings of that very significant inquiry. Suffice to say that its principal finding was that the social credit theory though a very plausible one was essentially fallacious and impractical.

### **OIL — NOT SOCIAL CREDIT — MADE ALBERTA PROSPER.**

Adherents of the social credit theory frequently refer to experience in the Canadian province of Alberta in support of their contention that the social credit theory is feasible. What they omit to mention, very conveniently, is that Alberta's prosperity was attributable not to the implementation of the social credit economic theory but rather to the discovery and exploitation of vast commercial oil deposits. So the undeniable evidence of judicial inquiry, of common sense, and of history all tell us that the social credit theory of monetary creation is quite unreal and belongs to the fairy tale world of fantasy and make believe!

## **A FAIRY TALE I CANNOT BELIEVE.**

Let me stress at this point that no-one would be happier than I would be if the social credit theory of monetary creation were valid, and we could have a State Bank operating on that basis. I would be one of the first to welcome such a situation, because I would dearly love to be able to obtain my loan money at 1% or 2% over a long term. However, unfortunately, I have never had the capacity to kid myself to the extent necessary to believe this fairy tale. I have always been, and always will be, a realist!

So I must reiterate that it is just not possible to have a State Bank functioning on the basis of the social credit theory churning out billions of dollars to provide State Government, Local Authorities and individuals with loan money at a nominal rate of interest over long terms. Rather, to be more accurate, I should say it is not possible to have a Bank functioning in that manner without the inevitable consequence of massive inflation which would ultimately wreck the economy of the State.

## **A STATE BANK WOULD BE POLITICALLY DISASTROUS.**

The third ground on which I reject the State Bank proposition is a very patent political consideration. If one reflects on the situation that would inevitably arise if a State Bank was instituted, one cannot escape the conclusion that it would entail a disastrous political consequence for the Government, the Premier and the National Party.

However, the Premier and the National Party would suffer most as they would have been seen to have been responsible for the State Bank and all the associated grandiose expectations as to the role it might play in the daily lives of the citizens of this State. The following is the inevitable scenario that would unfold:

## **RUSH ON STATE BANK BY LOCAL AUTHORITIES AND INDIVIDUALS.**

Because of the widely disseminated propaganda, especially that emanating from League of Rights sources, that a State Bank would be able to provide virtually unlimited loans at say 1 or 2% interest over long periods to the State Government, Local Government and individuals, there would be a rush on the Bank. There would be Local Authorities seeking cheap loan money to reduce their interest and redemption charges, and a multitude of individuals, primary producers and small businessmen, who were suffering financial difficulties caused by the drought and/or other factors.

Undoubtedly, a great many of the people seeking massive financial assistance from the State Bank would be individuals who had been refused assistance by other money-lending institutions, because they had judged their situation to be utterly hopeless and non-viable.



The aggregate demand for this extraordinarily cheap loan money would quickly amount to hundreds, even thousands of millions of dollars, far beyond the capacity of the State Bank to provide, unless of course it printed money to the tune of hundreds of millions of dollars. We have already seen that if this demonstrably irresponsible course was pursued it would create galloping inflation which would soon wreck the whole economy.

### **BITTER REACTION BY DISAPPOINTED LOCAL AUTHORITIES AND INDIVIDUALS WOULD DO GREAT ELECTORAL DAMAGE TO US.**

Imagine the bitter angry reaction of the many Local Authorities and individuals when Joh's Bank (and that's how it would be regarded) failed to be the panacea for all their financial ills as so glibly promised by the pro-State Bank propagandists. This reaction would engender a very serious political backlash against the Government, the Premier and the National Party. However, as I have said before, it would be particularly directed against the Premier and the National Party, because the State Bank would have been seen to have been their special creation. Undoubtedly, this backlash would do great electoral damage to our Party!

Hence, apart from other cogent arguments which I have adduced against the establishment of a State Bank, we must reject the proposal on purely pragmatic political grounds, for as I have just demonstrated the implementation of a State Bank would surely be a political disaster for us!

### **STATE BANKS IN PRACTICE ARE NOT A PANACEA FOR ALL ECONOMIC ILLS.**

Now I suppose we could all argue all day about the merits and demerits of a particular proposal and not reach any really satisfactory conclusion. What really counts is what happens when a proposal is put into practice as distinct from theory, that is "the proof of the pudding is in the eating." Fortunately, the State Bank proposal has been translated into practice in various forms in the other States, except Tasmania, and so we can draw on experience in those States for our guidance as to what happens in practice as distinct from theory.

Contrary to the grandiose claims of the State Bank advocates, State Banks in those other States which have them, have not proved the panacea for all their economic ills. In fact, small business people and primary producers generally speaking are worse off in those States than they are here in Queensland.

In New South Wales for example, where there is a long-established and large State Bank, the charges and taxes imposed by the Wran Socialist Government are considerably higher than those obtaining here in

Queensland. In fact, the Wran Government still has death duties and in addition it has had to introduce a new form of tax known as the financial transactions tax, and it has had to impose a fuel tax. This surely refutes the contention that a State Bank by providing massive amounts of cheap loan money to the State Government or Local Government can ensure that their charges are kept at a low level.

### **WRAN WOULD NOT BE PUTTING UP HIS TAXES IF THE STATE BANK WAS THE ANSWER.**

Despite the fact that it has seriously curtailed Government services and facilities the Wran Government is tottering on the verge of bankruptcy. I would put it to you - do you seriously think if the State Bank had the capacity to provide the State Government with unlimited loan money, Wran would be putting up his charges to such a shockingly high level and making himself and his Government exceedingly unpopular? Of course not! No politician would risk electoral damage if there was a viable alternative.

So let us not kid ourselves! Let us face the reality, unpalatable though it may be for many, that the State Bank does not afford some mystical means whereby all the financial problems of Government are solved effortlessly and painlessly.

### **"BEEF UP" THE AGRICULTURAL BANK TO PROVIDE SPECIAL FINANCIAL FACILITIES FOR PRIMARY PRODUCERS AND THE SMALL BUSINESS PEOPLE DEPENDENT ON THEM.**

In rejecting the State Bank proposal I am not failing to recognise the need for some special funding arrangements for primary producers, because of the uniquely difficult circumstances in which they are compelled to operate. That is, they have little control over their cost structure and practically no control at all over their product prices, and hence cannot adjust their income to compensate for inflation. Moreover these difficulties are greatly compounded by extreme seasonal fluctuations, such as the great drought that is presently being experienced over much of the continent.

In recognition of this need for special financial facilities for primary producers and also probably the small business people who depend on them, I suggested to our last State Conference that, pending any further action on the State Bank proposal, we should explore fully the possibility of enhancing the capacity of the State Agricultural Bank and possibly linking the Rural Reconstruction Board with it.

Surely, if the special financial needs of primary producers are not being adequately catered for at the present time, the best approach is to "beef up" the resources and capacity of this existing State instrumentality, rather than

create a new bureaucratic apparatus. In short, we should be seeking to reduce not expand the already excessive bureaucracy!

I hope I have now explained the many valid philosophical, practical and political grounds on which I oppose the establishment of a State Bank in this State. However, should anyone require further clarification of any aspect of this matter, please contact me.

**SIR ROBERT SPARKES**  
**STATE PRESIDENT**



## **A SUMMARY OF SIR ROBERT SPARKES' ARGUMENTS OPPOSING A STATE BANK**

Sir Robert has made 15 points in the course of his general statement which are summarised as follows:

- (1) Advocacy of a State Bank comes from many quarters, but especially from members of the Australian League of Rights. (Page 5)
- (2) A vituperative attack was made on Sir Robert because of his opposition to a State Bank following the National Party State Conference in 1982. (Page 5 and 6)
- (3) Sir Robert was entitled to seek a review of Party policy. (Page 6)
- (4) Conference was not misled over the Savings Bank Agreement. (Page 6)
- (5) Proponents of a State Bank can be categorised into three motivational groups. (Page 7 and 8)
- (6) The majority see a State Bank as a source of unlimited cheap loan money, being motivated by the "funny money" Social Credit proposals. (Page 8)
- (7) State Government involvement with banking synonymous with the Socialist-Communist philosophy. (Page 9)
- (8) "Funny Money" is money that is manufactured or printed. (Page 10)
- (9) A State Bank providing unlimited loan money would be impractical. (Page 10)
- (10) The German and Whitlam lessons show money cannot be created without inflation. (Page 10 and 11)
- (11) The New Zealand Royal Commission found Social Credit "fallacious" (Page 11)
- (12) A State Bank would be politically disastrous (Page 12)
- (13) The Premier and the National Party would suffer electoral damage. (Page 12 and 13)
- (14) A State Bank hasn't solved Premier Wran's problems in N.S.W. (Page 13 and 14)
- (15) Queensland should "beef up" the Agricultural Bank instead. (Page 14)

In the following statement I will reply to Sir Robert's points one by one.



## **ADVOCACY OF A STATE BANK COMES FROM MANY QUARTERS, BUT ESPECIALLY FROM MEMBERS OF THE AUSTRALIAN LEAGUE OF RIGHTS.**

**Answer:** This is simply not true. The League of Rights has no open membership. The very small membership has a purely administrative function. Among the organisations which have endorsed the need for a State Bank are primary industry organisations, Local Government authorities and, of course, the National Party itself. Sir Robert's argument is purely emotive, having no basis in fact. It appears to be an attempt to prevent discussion of the issue on its merits.

## **A VITUPERATIVE ATTACK WAS MADE ON SIR ROBERT BECAUSE OF HIS OPPOSITION TO A STATE BANK FOLLOWING THE NATIONAL PARTY STATE CONFERENCE IN 1982.**

**Comment:** Attacks impugning Sir Robert's character or motives are regrettable, and certainly not condoned by the League of Rights. Officers of the League have had to carry more than their fair share of the same allegations, and would agree that in any argument it is important to "play the ball and not the man."

## **SIR ROBERT WAS ENTITLED TO SEEK A REVIEW OF PARTY POLICY.**

**Comment:** That is obviously an internal National Party matter. However, Sir Robert's plea is seriously weakened by media reports of his comments prior to the State Conference. **The Sunday Mail (June 27, 1982)** reported the State Council, under Sir Robert's chairmanship, agreeing to revoke the Party's policy for a State Bank. This is a very different thing to "seeking a review", and appeared to be a representation to the Party of a "fait accompli." It also appeared to be the canvassing of Party policy in public, which Sir Robert himself has decried in the past. Whether Sir Robert was misrepresented or not is a matter beyond our judgement. But it makes quite understandable the reaction within the National Party following this report. (See Appendix 1).

## **CONFERENCE WAS NOT MISLED OVER THE SAVINGS BANK AGREEMENT.**

**Comment:** Again, this is an internal Party matter. It seems a pity that media reports following the conference were not corrected by Sir Robert.

## **STATE BANK ADVOCATES CAN BE CATEGORISED INTO THREE GROUPS.**

**Comment:** This is sheer, unadulterated speculation, and it is a great pity that Sir Robert has allowed himself to substitute this type of comment in place of the factual argument so urgently needed. It should be put to Sir

Robert that all those advocating a State Bank are doing so because they want a change from the current high-interest, high-taxation, high-cost policies quite evident throughout Australia and in other nations.

### **THE MAJORITY SEE A STATE BANK AS A SOURCE OF UNLIMITED CHEAP LOAN MONEY BEING MOTIVATED BY THE "FUNNY MONEY" SOCIAL CREDIT PROPOSALS.**

**Comment:** Sir Robert is now venturing into fantasy and speculation. As far as I am aware, **NOT ONE ADVOCATE OF A STATE BANK IN ANY WAY SUGGESTS IT SHOULD BE A SOURCE OF "UNLIMITED CHEAP LOAN MONEY"**. It is certainly not true as far as the League of Rights is concerned. In fact, the League has constantly opposed the enormous increases in the Volume of Money both in Australia and overseas. Sir Robert is indulging in "straw-man politics" - attributing an entirely false argument to an opponent, and then demolishing it. The real argument - which Sir Robert Sparkes has so far studiously avoided - is **NOT** an argument about **how much** new credit is created, but about **who** should create the money required by society, and **how**, and on **what terms** it should be introduced into the economy.

Whether or not Queensland has a State Bank has **nothing to do** with Social Credit. If Sir Robert is going to oppose Social Credit - as he is entitled to do - he should at least ascertain what Social Credit proposes. He has obviously never looked into Social Credit, but apparently relies on second or third hand opinions which are quaint, far-fetched and erroneous. But that is another matter. A State Bank could be used for a number of ends - the furtherance of free enterprise, the furtherance of socialism, the centralisation or the decentralisation of power. If the National Party fails to establish a State Bank, suitably established with constitutional safeguards for the revival of free enterprise, it will leave the field clear for an A.L.P. to establish a State Bank to be used for socialist purposes. A State Bank - like all other instrumentalities - can be used for good or ill. But to believe the instrumentality itself is dangerous is simply confused and illogical thinking.

### **STATE GOVERNMENT INVOLVEMENT WITH BANKING IS SYNONYMOUS WITH THE SOCIALIST-COMMUNIST PHILOSOPHY.**

Sir Robert's understanding of socialism is so sketchy as to be ludicrous. It is a lack of understanding shared by many in the Liberal and National Parties, which have fallen into one socialist trap after another.

One of Sir Robert's predecessors as Chairman of the Queensland Country Party, the late Alan J. Campbell, in an excellent leaflet issued from the Party's headquarters in July 1964 said:

*"The Encyclopaedia Britannica devotes eight large pages of double columns to Socialism from which I quote a few extracts:-*

*"Socialism came into fairly popular use in England and France about 1830"*

*"The Communist Manifesto drafted by Karl Marx and Friedrich Engels for the Communist League and issued in the 'year of revolutions' in 1848 is generally regarded as the starting point of modern Socialism."*

Alan Campbell then went on to quote the following from the Constitution and Rules of the Australian Labor Party (Queensland Branch) as amended in 1960 and adopted by the 23rd Commonwealth Conference:

Page 109, under the heading PROGRESSIVE REFORMS:

*The Commonwealth Bank to be developed on the following lines:-*

(a) *A nation-wide Trading Bank, handling the ordinary business of the community, including Hire Purchase finance for household requirements and motor cars.*

3(a) *The development of a "planned economy throughout Australia".*

Thirteen years earlier, the A.L.P. under Chifley attempted the nationalisation of banking in Australia. What was the attitude of the Country Party? Did it argue, as Sir Robert Sparkes is now doing, that any government involvement with banking is socialistic? No indeed! **The Countryman**, November 1947 (the official Country Party paper in N.S.W.) reported: *"Aim of the Chifley Government's banking Bill is to destroy competition and to set up a Government monopoly. This was stated by the Chairman of the Country Party (Mr E.J. Eggins, MLC) when drawing attention to the serious threat to the peoples' freedom contained in the Government's banking move. "Under the existing system in which the trading banks compete side by side with the Commonwealth and various State banks, the people have an absolute guarantee against abuses by either side," said Mr Eggins. "If any citizen feels he has not been properly treated by one of the trading banks, he can always turn to the Government banks. Conversely, a customer dissatisfied with a Government bank can try the alternative of a trading bank. This privilege of going elsewhere is the essence of freedom and without it abuses must develop on a scale fatal to all the human rights established under the British democratic system."*

(See: Appendix II)

This "right to go elsewhere" is being denied to Queensland by Sir Robert Sparkes' argument, thus making the State a vassal of an increasingly centralised system completely dominated by a Socialist Government in Canberra.



If, as Alan Campbell and the Encyclopaedia Britannica pointed out, modern Socialism had its origins in Karl Marx, it is important to understand the modern programme of socialist parties, and the Socialist International, of which the current Prime Minister, Mr R.J. Hawke, is a member.

In the 1967 edition of "**The Communist Manifesto**" (page 75) are listed ten numbered points for the communisation of advanced countries. They are:

- (1) Abolition of property in land and application of all rents of land to public purposes.
- (2) A heavy progressive or graduated income tax.
- (3) Abolition of all rights of inheritance.
- (4) Confiscation of the property of all emigrants and rebels.
- (5) **Centralisation of credit in the hands of the State, by means of a national bank with State capital and an exclusive monopoly.**
- (6) Centralisation of the means of communication and transport in the hands of the State.
- (7) Extension of factories and instruments of production owned by the State.
- (8) Equal liability of all to labour. . .
- (9) Combination of agriculture with manufacturing industries. . .
- (10) Free education for all children in public schools. . .

**The Fabian Society** was established the year that Marx died - 1883. It adopted from the outset a programme of gradualism, grasping that while a frontal assault on private ownership would generate resistance, the separation of **ownership** and **control** could be achieved by financial policies - high taxation, rates, interest rates and debt, accompanied by ever-increasing regulation. The Fabians were subtle enough to see that, even though the title deeds to private property might remain with the individual, an arsenal of government regulations could be used to rob him of his independence and choice. Such regulations would establish a new type of feudalism.

Sir Robert has belittled the importance of the Fabian Society in the past. But the whole origin of centralised power, evident now in the attacks on the federal system and the Constitution had their origins in such prominent Fabians as H.V. Evatt, Whitlam, Murphy, Bob Hawke and the current Attorney-General Gareth Evans.

Not only is Prime Minister Hawke a prominent Fabian, but he is also a member of the Socialist International.

The Socialist International was formally established in 1864, having its origins in the works of Karl Marx. It languished in the doldrums during the Second World War. In 1947 the International's affairs were handled by the Committee of the International Socialist Conference (COMISCO). COMISCO was able to help the International Organisation of Socialist Youth to gain consultative status in a number of United Nations Agencies, including UNESCO, the World Health Organisation and the World Federation of United Nations Associations.

Formal rebirth of the Socialist International occurred in Frankfurt in 1951. From the beginning it began to work on the establishment of international commodity agreements and some type of world government. At its Oslo conference in 1962, the Socialist International was quite specific:

*"The ultimate objective of the parties of the Socialist International is nothing less than World Government. . . Membership of the United Nations must be made universal, so that all nations, including China, may be represented by their government in power."*

By 1964 the British Labour Party, which had become the government under Harold Wilson, carried the same objective in its Manifesto:

*" . . For us World Government is the final objective."*

**The Club of Rome:** There is now documented evidence that the Socialist International played a large part in the Club of Rome reports, "The Limits To Growth", "Mankind at the Turning Point", and "Reshaping the International Order". The "**Review of International Affairs**", which regularly reports Socialist International news from Yugoslavia, in its December 1980 issue, said: *"... The unpublished IV preliminary version of the Report (i.e. R.I.O.) envisages the future world order as a "global order of humanistic socialism."*

**Vancouver Congress:** The XIV Congress of the Socialist International was held in Vancouver, Canada, and it was here that the Brandt Commission was set up. Willy Brandt, current Chairman of the Socialist International, handpicked the members of the Commission, sought evidence from selected 'experts' round the world, and established a Secretariat under the authority of a Communist. The Socialist International had a prodigious input. The "**Review of International Affairs**" (June 20th 1980) reported: *"... Adherence to the conception of a new world economic order was affirmed at the Vancouver Congress. . . Many of the Socialist International experts have made distinguished theoretical and practical contributions in this domain . . As a reflection of the Socialist International's heightened concern for global international economic negotiations, an independent Committee for International Development Issues (ICIDI or the Brandt Committee) has been formed. . ."*



All this Socialist International activity has spilled over into the North-South Dialogue.

At the time of writing the world faces a grave banking and financial crisis. The New Zealand Prime Minister, Mr Muldoon, recently predicted an inevitable collapse. His views are shared by a growing number of leaders.

The **Socialist International** hopes to take advantage of this crisis to force through greatly increased and centralised powers in the international arena. The former Treasurer of the Socialist International and one-time British Cabinet Minister, Lord Lever, urged at the end of last year that the International Monetary Fund should be turned into a World Central Bank, with wide powers over reserve currencies and commodity trading.

**BUT BEFORE THIS CAN BE ACHIEVED, POWER MUST BE CENTRALISED ON A NATIONAL BASIS FIRST. THAT IS WHY SO MUCH EMPHASIS IS BEING PLACED ON CHANGING THE AUSTRALIAN CONSTITUTION BY INTERNATIONAL TREATIES, UNDER THE HAWKE GOVERNMENT.**

The special clause in the Constitution allowing the States to operate their own banks is a deadly threat to the programme of the Socialist International. Unfortunately, Sir Robert Sparkes seems totally unaware of the real socialist threat to Australia. Until the Liberal and National Parties investigate the current socialist programme, and devise a realistic alternative, they will continue to lose ground. Current banking policies play a major part in the socialist programme.

### **"FUNNY MONEY" IS MONEY THAT IS MANUFACTURED OR PRINTED.**

There is now no excuse for the absolutely outrageous statements Sir Robert has made regarding money creation. He is using metaphors which prevailed in the 'thirties', and which are now completely discredited.

Basic Paper No. 2, 1982, prepared by the Legislative Research Service of the Parliamentary Library, under the authority of the Parliament of the Commonwealth of Australia, entitled **"THE MONEY SUPPLY AND AN OUTLINE OF THE MEANS AVAILABLE FOR ITS CONTROL"** is quite clear and unambiguous. It is too long to reproduce here. Its Contents include:

- I Introduction.
  - II Definitions.
  - III Creation of Money
    - (a) Liabilities of the Reserve Bank of Australia.
    - (b) Liabilities of the Trading Banks.
  - IV Summary and Conclusion.
- Appendix - The Credit Creation Mechanism.



It can be obtained by anyone writing to his Federal Member.

The Report makes the following incontrovertible points:

*"Money includes deposits with banks which are liabilities of the banking system, or cash which is a liability of the Reserve Bank of Australia. Accordingly, there are two channels through which new money can be created. These are, respectively, any changes in the factors which influence the ability of the banking system to create deposits, and those factors which determine the value of the Reserve Bank's outstanding liabilities. . ."*

The report then goes on to provide figures showing how Australia's Money Supply ( $M_3$ ) has grown by money creation each year. It gives the following figures:

#### VOLUME OF MONEY (\$ million)

1970 June	14,837	1976 June	32,871 (13.6%)
1971 June	15,851 (6.6%)	1977 June	36,331 (10.5%)
1972 June	17,507 (10.4%)	1978 June	39,246 (8.0%)
1973 June	21,851 (24.8%)	1979 June	43,869 (11.8%)
1974 June	25,087 (16.6%)	1980 June	49,159 (12.1%)
1975 June	28,929 (15.3%)	1981 June	55,387 (12.7%)
		1982 June	61,653 (10.9%)

Thus, Sir Robert should concede that the continual process of money creation, which he claims is an irresponsible "funny money" policy of the Social Credit advocates, is in fact a regular function of both Labor and Conservative governments.

The trading banks quite openly confirm what the Parliamentary Report says. The Bank of New South Wales Review, October 1978, in an article "The Sources of Money" describes the process clearly and accurately:

*"Today in Australia, as in most other modern economies, **all money is a debt of the banking system.** . . . Another important source of money creation is by the banks. . . . When a banker grants a customer credit by overdraft, the bank "opens an account" in its books and gives the client the right to draw funds without first having to put money into the account. But bank deposits only increase when the customer actually draws on the account to pay his creditors. In the case of loans, funds are deposited directly to the customer's credit and **result in an immediate increase in the volume of money.** In either case, **the money supply increases as a result of the bank's lending activities.** As long as the debt remains outstanding the community's quantity of money is increased. . . ."*

The textbook "The Australian Trading Banks", by H.W. Arndt and C.P. Harris, used regularly in university courses, has a special appendix "The Creation of Money". It says:

*"... The process of creation of money by banks is still commonly described as involving the "deposit of money by customers with banks" which can then "lend out more money than they have" because some of the money they have lent "comes back to them as deposits"... Nowadays it is a mischievously misleading description. It is misleading because it wrongly suggests:-*

- (a) that notes and coins are, but deposits are not, money;*
- (b) that banks merely borrow and lend money created by someone else;*
- (c) that deposits come into existence primarily through bank customers paying in notes and coin, and only secondarily through bank lending."*

Wittingly or unwittingly, Sir Robert's arguments are "mischievously misleading" - to quote Professors Arndt and Harris.

The issue at stake is contained in the words of the Bank of New South Wales Review - "all money is a debt of the banking system."

The obvious implications are that, irrespective of the **rate** at which money is created, debt and interest must continue to expand faster than the volume of money. It is this factor which has produced the huge debt crisis in the world. Quite apart from Third World debt, and COMECON debt, major industrialised economies are facing huge and irrepayable debt burdens which now threaten their stability:

#### **GROWTH IN NATIONAL DEBT, 1971 - 1981**

<b>Country</b>	<b>National Debt, 1971</b>	<b>National Debt, 1981</b>
U.S.A.	\$US 400 billion	\$US 997 billion
Canada	\$C 27 billion	\$C 120 billion
Britain	£ 42 billion	£ 112.7 billion
Australia	\$ 14.5 billion	\$ 32.6 billion

The U.S. National Debt has now topped 1 trillion dollars. Total debt throughout the nation exceeds \$6 trillion, and \$30 in every \$100 goes in interest payments. In every case, the rate of debt growth is now climbing fast.

Queensland's State Debt shows a similar growth:

## PUBLIC DEBT OF THE STATE OF QUEENSLAND

Year	Total Debt	Per head per Population
1951	\$332.3 million	\$275.28
1961	\$684.9 million	\$455.48
1971	\$1,227.2 million	\$704.74
1981	\$2,021.6 million	\$875.9
1982	\$2,112.1 million	\$885.5

Local Authorities have had an enormous debt burden placed on them:

### LOCAL AUTHORITIES, QUEENSLAND: LOAN ABILITY

	30th June 1971	30th June 1981
Debt	\$488.5 million	\$1,336 million (277% increase)
Interest	\$28.7 million	\$112.9 million (315% increase)
Redemption	\$20.7 million	\$41.4 million (315% increase)

There is a consequently growing pressure from Local Authorities for a fairer deal, and more competition for limited funds. If press reports are correct, the Wambo Shire, whose President is Sir Robert Sparkes, seems to have fared much better than most. (See Appendix 3)

This dire position, affecting all States, has resulted in an enormous shift in power to Canberra **-exactly as the socialist programme requires;** the centralisation of power is the essence of socialism.

Fifteen years ago Mr Leon Punch, current National Party leader in New South Wales, described the process at the State Convention of his own party:

*" . . . Over the years since Federation, and particularly since the introduction of uniform taxation in 1942, the Commonwealth has gradually acquired more and more power to control the domestic matters of the States. This power to control has been acquired by the granting of financial assistance, additional to normal reimbursements to the States for specific purposes and each time aid was given there was a condition involved as to how the money was to be spent. In other words, whenever the Commonwealth came in to assist, it stipulated how the money was to be spent, and further whittled down the States' diminishing powers. This has now reached the stage of being a real threat to State sovereignty. The States have been forced to relinquish control of their own domestic affairs because their hazardous financial position allowed them no choice. . . . The Commonwealth has, therefore, forced the States into new fields of State taxation in which the taxes are not on profits, but affect the economy and*



*industry of the State. At the same time, the money which the Commonwealth lent to the States is being used, in most cases, to bring about a bigger return to the Commonwealth, in the form of increased taxation, payroll tax etc. - fields in which the State does not share. This position must continue to worsen because the State debt is increasing enormously. And interest repayment has reached a staggering figure, absorbing an ever-increasing amount of the State budget. We are heading for the ultimate position in which the State budget will be needed in its entirety to meet loan repayments and interest charges. Startling as this may sound, it is clearly borne out by the figures. . ."*

The position is immeasurably worse since Mr Punch spoke those words - but so far no State Government has come up with an adequate solution.

### **A STATE BANK WOULD BE IMPRACTICAL, POLITICALLY DISASTROUS AND ELECTORALLY DAMAGING: (Points 9, 12 and 13)**

Sir Robert has painted a grim scenario in which there would be an electoral backlash if everyone in Queensland failed to get "unlimited quantities of debt and interest-free money." His warnings are far-fetched and designed to intimidate objective thought.

A State Bank need conduct no transactions with individual members of the public at all. It could confine itself to the provision of funds for Local Government, for essential State works and for the capital programmes of semi-Government Authorities.

Currently, the State's borrowing programme is established through the Loan Council. There is no reason why Queensland could not confine the credit policy of a State Bank to the parameters established by the Loan Council - **ALTHOUGH THERE ARE NO LEGAL REQUIREMENTS THAT IT SHOULD DO SO.** There are several issues that require legal examination - the position of semi-Government borrowing, which comes under the non-legal Gentlemen's Agreement; the meaning of the word "borrowing"; and whether the provision of credit from a parliamentary bank to parliament is in essence "borrowing" in the accepted sense of the word. However, the State could avail itself of its own bank, rather than resorting to the money market, saving itself large sums in interest and service charges. Contrary to claims made by Sir Gordon Chalk, Dr Llew Edwards and Sir Robert, a State Bank could be legally established as a Trading Bank, with all the powers that Trading Banks command, **including the right of credit creation.** The private Trading Banks may argue that this is unfair competition from a Government Bank. But they themselves have had their ability to compete undermined by central controls, **so that Australia does not have the genuinely competitive banking service which Sir Robert believes exists.**

Local Authorities are quite sensible enough to understand there would be limitations to loan funds. Even if they could get existing allocations at greatly reduced rates, their position would change dramatically. So would that of Electricity Boards and Railways.

In a letter dated 6th July 1982, Sir Robert says: "... *the fact is that under the Australian Constitution only the Federal Government can institute a bank of issue. Whilst the States can set up ordinary trading or savings banks they clearly cannot establish banks of issue . . .*"

A Bank of Issue is a Bank with the power to mint its own coin and print notes. The only body with this power is the Note Issue Department of the Reserve Bank. Notes and coin, however, constitute a small percentage of the volume of money. The bulk of the Volume of Money is in Credit form, created by all Trading Banks. So Sir Robert is not dealing with the real issue. A State Bank **could** create money in the form of credit. It is necessary for Sir Robert to make an accurate appraisal of all the legal powers a State Bank would have. This he has not done. For general trading with the public a cash base is necessary for any bank. Thus, a Savings Bank would be an advantage, **although not a necessity**. For trading purely to Local and semi-Government instrumentalities, a cash base would be an even smaller consideration.

The Judicial Committee of the Privy Council in the famous Bank Nationalisation Case (Commonwealth Law Reports, 1947, Vol. 79, pp 632-633) gave this definition of banking:

*"... The business of banking, **consisting of the creation and transfer of credit**, and making of loans, the purchase and disposal of investments and other kindred activities, is part of the trade, commerce and intercourse of a modern society. . ."* (emphasis added)

Who should decide where a State should bank? At about the same time as the famous Bank Nationalisation case, the High Court made the following judgement:

(City of Melbourne v Commonwealth of Australia, 1947, CLR Vol. 74, pp 77-78):

*"... The exception of State banking means that a general law of the Commonwealth governing the business of banking cannot affect the operations of a State Bank within the State concerned. The express inclusion in the federal legislative power of State Banking extending beyond the limits of the State concerned gives added point to the exception. **For it shows that State Banking was contemplated as a possible function of government which should be excluded from the operation of federal law within the territorial limits of the authority concerned . . .**"* (emphasis added)



Thus, contrary to Sir Robert's totally ill-informed views, the State, by using its legitimate constitutional power **to counter socialism**, could gain genuine benefits for the people of Queensland, and also gain electoral advantage.

### **THE GERMAN AND WHITLAM LESSONS SHOW MONEY CANNOT BE CREATED WITHOUT INFLATION.**

Once again, Sir Robert has made bald statements without doing his homework. The terrible inflation in Germany in 1923 was not simply due to "printing money." It was the inevitable result of the Treaty of Versailles. The book *"I paid Hitler"* by former industrialist Fritz Thyssen (Hodder and Stoughton, 1941) gives this account:

*"Throughout many years, the harsh economic conditions imposed by the Treaty of Versailles, which found their expression in the payment of war reparations, created dissension among the German people. From the very start, one section of public opinion advocated utmost resistance to the reparation terms, while the other section demanded the fulfilment of the treaty obligations. Both sections agreed that the demands imposed by the treaty could not possibly be fulfilled . . ."*

Quite simply, the debt burden imposed on Germany made the destruction of the money system inevitable. There are several works that give an accurate picture. Thus, imposed debt was the factor which led to money inflation. In a different form, the same situation is developing throughout the world today.

I agree with Sir Robert about Whitlam. An increase in the Volume of Money by 24.8%, as instituted by Whitlam in 1973 (see page 23) is excessive; especially as none was used for tax reductions. In fact, taxation under Whitlam increased from \$8.5 billion to \$17.5 billion - the biggest increase in Australia's history to that time, and exceeded only since by the Fraser Government!

But Sir Robert is begging the question. By what amount does he believe the money supply **should** be increased each year? Who should create what is required? How should it be distributed? Sooner or later these questions must be faced. They cannot be evaded forever by 'name-calling.'

### **THE NEW ZEALAND ROYAL COMMISSION FOUND SOCIAL CREDIT 'FALLACIOUS'.**

Sir Robert Sparkes is very selective in his choice of Commissions. Furthermore he has sought to establish a link between advocacy of a State Bank and Social Credit. In his letter of July 6th 1982, Sir Robert says:



*"... What the League of Rights are peddling and you have obviously been duped by their plausible but nonetheless totally fallacious propaganda, is the Social or Douglas Credit Theory which stripped of all its trimmings holds that money can be created out of nothing in unlimited quantities ..."*

Sir Robert **knows** that is not true! My reply in the Queensland Country Life, quoted in the Foreword, dealt with this very point.

One or two of the conclusions of the New Zealand Royal Commission can now be shown to be fallacious. One reason given for its disagreement with Social Credit was that the latter

*"Assumed, contrary to fact, that all money comes into existence as an interest-bearing debt to the banks ..."*

Contrast that statement with the one in the Bank of New South Wales Review article "Sources of Money" (quoted earlier):

*"Today in Australia, as in most other modern economies, all money is a debt of the banking system ..."*

From which, surely, we can draw only one of three conclusions! Either the Royal Commission was wrong; or the Bank of New South Wales was wrong; or the Bank of New South Wales is a Social Credit Bank! Perhaps Sir Robert could clear the matter up for us?

Sir Robert never quoted from the Tasmanian Government Inquiry two years earlier than the New Zealand Royal Commission, which made findings directly opposed to the latter.

Nor did he quote from the Australian 1937 Royal Commission, which included the following significant points:

Section 504 of the Commission's Report, headed "Creation of Credit" reads:

*"... Because of this power, the Commonwealth Bank is able to increase the cash of the trading banks in the ways we have pointed out above.*

*"Because of this power, too, the Commonwealth Bank can increase the cash reserves of the trading banks; for example, it can buy securities and other property, it can lend to the Government or to others in a variety of ways, and it can even make money available to the Governments and to others free of any charge ..."*

As this last clause led to a good deal of controversy as to its exact meaning, Mr Justice Napier, Chairman of the Commission, was asked to interpret it, and his reply, received through the Secretary of the Commission (Mr Harris) was as follows:

*"This statement means that the Commonwealth Bank can make money available to Governments or to others on such terms as it chooses, even by way of a loan without interest, or even without requiring either interest or repayment of principal."*

Thus, a finding of an Australian Royal Commission is written off by Sir Robert as "fairy-tale" stuff!

### **A STATE BANK HASN'T SOLVED PREMIER WRAN'S PROBLEMS IN N.S.W. (Page 8)**

Once again, it is a pity Sir Robert Sparkes hasn't troubled to find out the real position in New South Wales.

The one thing the State Bank in New South Wales has NOT done is to exercise its constitutional powers correctly for the people of that State. Instead, **IT HAS DONE PRECISELY WHAT SIR ROBERT HIMSELF WAS AT ONE TIME ADVOCATING** - namely, joined forces with an international merchant bank!

**The Financial Review, (Nov. 6th, 1982)** gave this picture of the State Bank of NSW:

*"Since being appointed managing director just over a year ago, Mr Nicholas Whitlam has brought all the aggression, flair and gamesmanship of his merchant banking background (Mr Whitlam started off with the international bankers J.P. Morgan) to bear, turning his bank from the "sleeping giant of Australian banking" into what he now prefers to describe as "an army of vigilant warriors." In one year the sleepy old Rural Bank has been reconstituted as the State Bank of NSW, changed its structure and introduced regional banking. More importantly, it has made a strong push into the corporate and merchant banking arenas, bought a stake in a merchant bank and established a link with the State Building Society. . . The Bank has also opened offices in New York and Cayman Island and has applied for a banking licence in London. . . On a national basis, the State Banks held only 16.8% of deposit market shares in June, but this belies their strong positions in the States in which they operate. Contrary to the Commonwealth Bank, their market shares of total deposits have been increasing. . . The State Banks are not compelled to follow the Federal Government's national policy, although they are supposed to, being under the control of their respective State Governments. . . their greatest competitive advantage over the private banks is that they do not have to maintain the levels of liquidity, or the statutory deposits required by the Reserve Bank under the Banking Act. This means they can lend more, and obtain a larger spread from a given deposit base than their private sector competitors. . ." (emphasis added)*



Why is this so? Professors Arndt and Harris explain in their book "The Australian Trading Banks":

*" . . . It should be mentioned that the special accounts power (i.e. S.R.D.'s) applied originally only to the private trading banks. The small State Banks were exempted for constitutional reasons. . . ."*

Both Sir Robert and Dr Edwards should carefully note that, if the State Banks did not have the same powers as private trading banks, exemption would be a 'non sequitur'. The Reserve Bank's special accounts power is only relevant as a control mechanism on the volume of credit to be created by trading banks. No constitutional exemption would be required if State Banks did not have this actual or potential power.

**The Financial Review** article went on: *"To remain competitive both the State Banks of Victoria and New South Wales have found it necessary to provide a full range of savings and trading bank services. And in this regard they have been swinging from opposite ends of the banking pendulum. The State Bank of New South Wales is a trading bank only as a result of its agreement with the Commonwealth Savings Bank.* (Note: the same agreement as the Queensland Savings Bank agreement, which does NOT preclude a State trading bank - ed.) *The bank's link with the State Building Society, soon to be merged with the Rural Building and Investment Society, has circumvented this problem. . . . From October, all branches of the bank became agents for the society - later it is planned for the reverse to apply. This gives it the use of 346 offices throughout N.S.W. . . . The State Bank of Victoria, which is a savings bank at heart, has moved into the trading bank field. . . . the bank did not shout about the fact that it had full trading bank facilities two years ago. . . ."*

The manner in which the State Bank of NSW has joined its trading bank operations with savings bank facilities - despite the agreement with the Commonwealth - is devious to say the least. Building Societies in New South Wales operate under a 1967 Act, granting depositors considerable power, and requiring examination of accounts to be subject to the Registrar of Co-operative Societies. For some obscure reason, three very small building societies were exempted from the 1967 Act, continuing to operate under an Act of 1903, which does **not** make provision for public examination of accounts. One of these societies was in Tamworth, another in Maitland, and the third in Sydney.

Late in 1981, in an extraordinary manoeuvre, the State Bank, under Mr Nicholas Whitlam, bought up the fixed capital of the Tamworth Society, called the Rural and Building Investment Society. It then contrived to have the Rural and Building Investment Society "swallow up" the State Building Society. By doing so, the function of the State Building Society was



changed from operating under the 1963 Act, requiring open inspection of its books, to the 1903 Act, which allows complete secrecy. Thus, the State Savings Bank Agreement has been set aside.

Under Mr Whitlam, the State Bank has become an instrumentality for large-scale Government takeovers by the Wran Government. In achieving this, the State Bank has opted to work with consortiums of international bankers, the financial deal for the Eararing Power Station being an example. Managed by the State Bank, a group of international banks, led by Salamon Bros, in which South Africa's Harry Oppenheimer has a controlling interest, put up the finance on high-interest commercial terms.

A State Bank under a free-enterprise government determined to preserve the Federal system could act in an entirely different manner, using its constitutional powers to reduce the massive cost structure on private businesses, farms and individuals.

An intelligent State Government in Queensland would adapt Mr Whitlam's tactics to its own philosophy, instead of protesting, in effect, that "rape is inevitable!" and then meekly lying back and thinking of England, while a socialist Government in Canberra wreaks havoc with Federation.

The State Savings Bank in Victoria moved into the trading bank field under a Liberal-National Government. In this the socialism that Sir Robert fears so much?

**So far, NO EXISTING STATE BANK HAS DARED TO OPERATE OUTSIDE THE GUIDELINES OF THE COMMONWEALTH, ALTHOUGH CONSTITUTIONALLY THIS IS LEGAL AND POSSIBLE.**

**QUEENSLAND SHOULD "BEEF UP" THE AGRICULTURAL BANK INSTEAD.**

Sir Robert's final point takes him from the sublime to the ridiculous. If, as he claims, State Government participation in banking is 'socialistic', **does this not apply to the Agricultural Bank as much as any other?** Either Sir Robert believes there is a case for relief from current credit costs in certain cases or he does not. He cannot have it both ways, without making nonsense of his case!

As this booklet was being completed, the State Treasurer, Dr Edwards, issued a statement which is reproduced for the interest of readers. Dr Edwards has simply reiterated some of the unfounded criticisms of Sir Robert Sparkes, and has added one or two of his own:

# **Edwards says State Bank not possible yet**

No State Bank could be established in any State of Australia outside the Commonwealth Banking Act, the Deputy Premier and State Treasurer, Dr Edwards, said in Toowoomba.

He said statements by A.L.P. State Opposition Leader Mr Wright that a savings bank could be established in Queensland immediately were totally inaccurate.

The agreement the State Government had signed, which concluded in 1986, prevented the Government from allowing the establishment of a State Bank with a savings bank component until after that time.

Queensland was receiving about \$13 to 14 million a year as a share of Commonwealth Savings Bank pro-

fits, as a result of the agreement signed by the Premier some years ago.

The statement by Mr Wright and other people that a State Bank could provide low-interest loans was also totally inaccurate.

"Let these proponents name the State Bank in any other State of Australia that is now providing low-interest loans, even though those banks have been in operation for 100 years or more," said Dr Edwards.

A bank could only lend money out at an interest rate relative to the interest rate it paid on money invested or within its holding.

"The philosophy that we can issue money is, of course, totally untrue," he said.

"We are not a bank of issue; we could never become a bank of issue of currency.

"Constitutionally, we cannot."

Dr Edwards said the cost of establishing a State Bank in Queensland would be enormous, and while it may sound attractive politically, the realisation of such a political dream would cost Queensland millions of dollars.

"There would be no cheap funds, and the interference with the private banking system would be quite significant," he said.

"If Mr Wright and others want to identify themselves with the League of Rights and the Social Credit, let them do so — for that is exactly what they are doing.

"And they of course know so well that the proposition that they are presenting to the people of Queensland is an unrealistic dream and cannot be implemented at this time."

Dr Edwards said it appeared the League of Rights now had a new ally in Mr Wright.

Some time in the future, governments may decide to establish a State savings bank, but at present the proposition was illogical and impossible.

"And to suggest that it can be used for low-interest loans is, of course, the most critical aspect of such a policy, and is not possible," said Dr Edwards.

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(The Chronicle, Toowoomba, 16/6/83)

Dr Edwards has made a fundamental legal error. His claim that a State Bank could not be established outside the Commonwealth Bank Act is **simply not true**. The mass of legal evidence on this question contradicts Dr Edwards. If this is the advice of the Queensland Treasury, or the Attorney-General's Department, they should be severely criticised and dealt with



It is true that a Savings Bank cannot be started until 1985, but we are not concerned with a Savings Bank, but a Trading Bank. Dr Edwards may say what he likes, but the fact is a Trading Bank has recently been commenced by the State Government in N.S.W., which is subject to the same Savings Bank Agreement as Queensland. Neither Victoria or New South Wales have had a State Trading Bank for "hundreds of years", but only about two. A trading bank is NOT a Bank of Issue, but it CAN create credit. Constitutionally, it can set its own terms and conditions. **A STATE TRADING BANK IS NOT AN UNREALISTIC DREAM, BUT A CONSTITUTIONAL RIGHT OF THE STATE OF QUEENSLAND!**

## CONCLUSIONS.

Contrary to what both Sir Robert Sparkes and Dr Edwards claim, it is perfectly legal and constitutional for Queensland to establish a State Trading Bank, with all the powers of existing private trading banks. Such trading banks EXIST in New South Wales and Victoria, one started by a Labor Government, the other by a Liberal Government.

Contrary to what both Sir Robert Sparkes and Dr Edwards claim, such a bank, while not being a bank-of-issue, would have the constitutional right to create credit.

Contrary to what Sir Robert Sparkes claims, this function is not "funny money", but a process that is happening year by year under both Liberal and non-Liberal Governments.

Contrary to what both Sir Robert Sparkes and Dr Edwards claim, there is no legal obligation for such a State Trading Bank to abide by the terms of the Commonwealth Government or the Reserve Bank with regard to lending policy, interest rates, terms and conditions, or Statutory Reserve Deposits.

Contrary to what Sir Robert Sparkes claims, Government involvement with banking is not socialistic, **providing** it does not hinder the right of private banks to compete. Currently, Reserve Bank policy and controls has seriously impeded the competitiveness of the private trading banks, as **acknowledged by the Campbell Inquiry**.

Central bank controls which impede competitive lending **is in accord with socialist policy**, and has seriously eroded the Federal system, the viability of Local Authorities, and the stability of farms and businesses. None of these can now survive in the long term without cheaper, long-term finance.

If the States don't challenge the Commonwealth's greatly increased control, the Federal system will collapse sooner or later. A State Bank would be an effective instrument in the right hands.

Contrary to what Sir Robert Sparkes claims, **NOBODY** believes a State Bank would be the source of "unlimited quantities of money". He is seriously insulting the intelligence of Queenslanders by continuing to peddle such nonsense.

Contrary to what Sir Robert Sparkes has claimed, the establishment of a State or Parliamentary Bank would be of great electoral advantage to the State Government. It is now a serious handicap for the Premier that this vital policy appears to be thwarted by a small element within the coalition

government, against the wishes of a large number of Queenslanders. This is giving quite unnecessary advantage to Mr Keith Wright and the A.L.P.

Contrary to what has - rightly or wrongly - been imputed to Sir Robert Sparkes and Dr Edwards, the State Savings Bank Agreement with the Commonwealth in no way prohibits the establishment of a State Trading Bank. The two are entirely different issues.

**THE TIME FOR THE ESTABLISHMENT OF A STATE BANK OR PARLIAMENTARY BANK TO COUNTER THE MONOPOLISTIC ATTACK ON THE FEDERAL SYSTEM AND FREE PRIVATE ENTERPRISE IS LONG OVERDUE.** It is a tragedy that two badly informed leaders have helped to delay it further.



# State bank plan is out

The National Party plans to drop its proposal for a state bank.

The party's powerful central council has almost unanimously agreed to revoke party policy for a bank - a longtime pet scheme of the Premier, Mr Bjelke-Peterson.

The decision was made before the Bank of Queensland on June 17 effectively undercut the idea by announcing plans to set up a savings bank.

The party's decision to drop the idea will go before its state conference in Caloundra next month.

Party President, Sir Robert Sparkes said yesterday there was concern

that creation of a state bank would be seen as contrary to the party's philosophy.

But also there was a very strong practical opposition from a political consideration viewpoint.

"If a rural industry got into trouble it would expect a state bank to come to its rescue," Sir Robert said. "But if it couldn't help find the money you would get a tremendous political backlash."

There was also a feeling that a state bank could provide unlimited loans for local authorities, thereby reducing rates.

SUNDAY MAIL  
HUNE 27, 1982

## QDO pressure for State bank

A STATE bank would reduce electricity charges, provide cheap finance for local authorities and reduce rates.

That is the opinion of the Darling Downs District Council of the Queensland Dairymens Organisation.

At its recent meeting, the district council requested the QDO State Council to press on with the implementation of the 1981 QDO resolution on State banking.

The district council felt the financing of the private sector should be left to the private and Commonwealth trading banks. The State Parliamentary Bank should then be responsible for financing State parliamentary, local government and government-guaranteed semi-government bodies.

QUEENSLAND  
COUNTRY LIFE,  
AUGUST 12, 1982  
1983

# State bank plans put into 'limbo'

CALOUNDRA: Queensland's National Party yesterday put its policy calling for a state bank into "limbo."

After a lengthy debate, the Nationals state conference in Caloundra agreed to hold the policy "in abeyance."

Party president Sir Robert Sparkes said the present policy to establish a state bank had no real value because the state had an agreement with the Commonwealth Bank not to enter the field until 1985.

"We are bound by an agreement with the Commonwealth Bank until 1985," Sir Robert said.

Sir Robert said yesterday's decision also involved further investigation into what form the proposed bank would take.

Meanwhile, Crows Nest Shire Council has come out strongly in support of the establishment of a state

bank.

Yesterday's meeting of the council was unanimous in its view that a state bank could make finance available to local authorities at a much a lower rate of interest than charged by trading banks. Some councillors said it could be as low as 7 per cent.

Council was considering a letter from the Rockhampton Anti-inflation Study Group asking for support for the concept of a state bank.

The view was expressed that with present high interest rates at 17 per cent even a reduction of 1 or 2 per cent would make a significant contribution to easing the financial problems of local authorities, and for this reason alone the proposition was worthy of support.

Council resolved to write to the Local Government Minister supporting the setting up of a state bank.

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## Council supports call for state's own bank

Support for a parliamentary state bank in Queensland was registered on the Downs this week.

Cambooya Shire councillors backed a call by the Rockhampton Anti-inflation Study Group.

But some questioned whether such a bank could operate successful-

ly under presentday financial circumstances.

Council voted to approach the Local Government Minister Mr Hinze, and the local Member of Parliament, expressing support for the idea.

THE  
CHRONICLE,  
JULY 24,  
1982

WEEKEND AUSTRALIAN, 4-5/6/83

# Dividing the

JERICO Shire Council — the one in western Queensland, not Palestine — has a complaint that is symptomatic of the unease which is gripping many of the State's 134 local authorities.

The councillors are questioning their funds from the Cabinet-appointed Local Government Grants Commission, the body that distributes the 2 per cent of personal income tax allocated to local authorities.

Jericho has been told that because most of the shire's roads are gravel, and allegedly cheaper to maintain than bitumen, the component of its grant for roadworks will be consistently low, so they can never improve their roads.

That complaint will be discussed next week by the executive of the Local Government Association, with an invited guest, Mr Charles Palmer, the commission's chairman.

It should be a fascinating meeting because the so-called third tier of government is becoming increasingly restless at its treatment from the commission.

As a result, the normally secretive commission is likely to face questions over its formula for distributing funds.

Many shire councils contacted this week complained the formula was too vague and they questioned the commission's methodology.

Many were highly critical that the Wambo Shire, centred on Dalby, on the rich Darling Downs, had had a 482 per cent rise in its allocation since the commission took over dis-

## Queensland

### ROSS PEAKE

tribution of funds in 1977-78. Wambo Council Chairman is Sir Robert Sparkes, State President of the National Party.

The rise was in the variable known as element B. Element A, which comprises 30 per cent of the shire's grant, is relatively stable, and is calculated on a five-sixths population, one-sixth area basis.

But element B is the contentious one which allows the commission to use its discretion. It calculates B on such imprecise factors as revenue

## Complaints formula is t

raising capacity, road and health costs, isolation and expenditure on special items such as aerodromes.

In all, the funds from the commission make up only about 5 per cent of most local authority's budgets, but they rely greatly on this money, which totalled \$72 million in Queensland last financial year.

At Charters Towers, the former gold town 100km south-west of Townsville, the city council has had a comparatively paltry 24 per cent rise in its element B in the five years in which Wambo has done so well.

Charters Towers Council Chairman Tom "Tiger" Titley says: "We've only had about a



# shire councils' cake

7 per cent increase in the last three years, while shires around us have had 10 to 20 per cent, so we feel there is some inequality and the system needs review."

In fact, the surrounding Dalrymple Shire has had a 272 per cent increase in element B since 1977.

One local authority recently graphed the allocations of all shires against the political allegiance of the local State member.

The graph, not previously made public, showed that in all except two cases for that year, funds significantly above the average correlated with the presence of a National Party member.

One coastal city which

## that grant oo vague

elects an ALP State member has had only a 33 per cent rise in five years.

Says Ipswich Mayor Des Freeman: "I think most councils are dissatisfied, the guidelines are not clear enough, nor are the explanations given for particular allocations."

Fred Rogers, President of the Local Government Association, is disillusioned after recently finishing a three-year term as a commission member.

"I have some concerns about the distribution of funds and even though I served with the commission, I still have my concern that there were some shires, in my opinion, that were entitled to

more than they were getting and some areas were entitled to less than they were getting," he said.

Last year he told his association's conference: "It's not a distribution, it's a disaster."

The commission is supposed to allocate money on a disability, not needs, basis.

There was a strong rift among commission members at the closed meeting last year to decide on fund distribution.

## Decisions

Three of the five members wanted to set a minimum rise of 10 or 15 per cent, for all shires to help equalise the share and suppress the criticism of favoritism.

But that was overruled by the chairman, Mr Charles Palmer, and the vague formula continued.

Another contentious point about the commission's operation is the yearly visits to all shires, described by one shire chairman as "expensive jaunts".

The commission hires planes and cars to visit centres, and calls in councillors from each shire for only about 30 minutes, to add to their formal submissions.

The leader of the State Opposition, Mr Keith Wright, says the commission's method for distributing funds is "riddled with inconsistencies and incongruities".

He said: "The situation is bamboozling to say the least, and at times defies mathematical logic. There is absolutely no rhyme or reason to certain funding decisions by the commission."



Sir Robert Spárkes . . .  
Wambo council chairman

*From "The Countryman" November,*

## LABOR'S BANKING MEASURE "WOULD DESTROY FREEDOM"

**A**IM of the Chifley Government's banking bill is to destroy competition and to set up a Government monopoly.

This was stated by the Chairman of the Country Party (Mr E. J. Egghins, MLC) when drawing attention to the serious threat to the people's freedom contained in the Government's banking move.

"Under the existing system in which the trading banks compete side by side with the Commonwealth and various State banks, the people have an absolute guarantee against abuses by

either side," said Mr Egghins.

"If any citizen feels he has not been properly treated by one of the trading banks he can always turn to the Government banks. Conversely, a customer dissatisfied with a Government bank can try the alternative of a trading bank.

"This privilege of going elsewhere is the essence of freedom and without it abuses must develop on a scale fatal

to all the human rights established under the British democratic system."

### Depression Talk "Rubbish"

Mr Egghins said it was rubbish to say that under a competitive banking system the trading banks could and might cause a future depression.

The Government banks could counter any and every move by their competitors which they thought to be undesirable, and, in fact, as the Commonwealth Bank controlled the currency and the volume of central bank credit, it had complete and untrammelled power to do everything that any banking system was able to do to prevent an economic depression.

Recent disclosures of instances in which Federal Government departments had helped themselves to money belonging to persons who had entrusted it to the Commonwealth Bank for safekeeping, added Mr Egghins, were but a mild foretaste of the position that would develop under a Government banking monopoly administered by a socialist dictatorship.



1947 |

## Our money's 'funny' but not laughable

Contributed by Arthur A. Chresby,  
research analyst in constitutional law

### DID YOU KNOW?

**LEGAL FACT ONE:** That the *average weekly total* of every conceivable type of DEPOSITS in the *entire* Australian banking system fluctuates *between* FIFTY and SIXTY BILLION DOLLARS?

**LEGAL FACT TWO:** That the AVERAGE WEEKLY TOTAL OF LEGAL TENDER NOTES (that is \$1, \$2, \$5, \$10, \$20 and or \$50) in the *entire* Australian banking system is ONLY between 600 and 700 MILLION DOLLARS?

**LEGAL FACT THREE:** That those 600 to 700 million dollars of legal tender notes HAVE NO FACE VALUE WHILST ACTUALLY IN THE HANDS OF THE BANKS?

**LEGAL FACT FOUR:** That those billions of dollars of deposits and millions of dollars of notes have no more legal value, in the hands of the banks, than MONOPOLY MONEY?

**LEGAL FACT FIVE:** That, apart from the legal dollar notes actually in the hands of the public, all the rest of that "FUNNY MONEY" in the hands of the banks is only PROMISES TO PAY YOU IN LEGAL TENDER NOTES IF YOU ASK FOR IT?

**LEGAL FACT SIX:** That our entire financial and banking system is run wholly and *solely* on "FUNNY MONEY", which is only promises to pay in legal tender, if you should ask for it?

**LEGAL FACT SEVEN:** That debentures, cheques, promissary notes, treasury notes and bonds, Commonwealth, State and Semi-Government and Local Government securities of every conceivable type; form and jargon ARE ONLY FUNNY MONEY, promises to pay you in legal tender notes if you should ask for it?

**LEGAL FACT EIGHT:** That apart from the Reserve Bank of Australia the Banking and financial system COULD NOT PAY OUT ITS DEPOSITS IN LEGAL TENDER NOTES IF EVERY ONE ASKS FOR THEIR DEPOSITS IN LEGAL TENDER NOTES? There would have to be a considerable delay while the RESERVE BANK PRINTED THE BILLIONS OF LEGAL TENDER NOTES REQUIRED!

**LEGAL FACT NINE:** That the controllers of the Australian Banking system acquire millions of dollars profit out of the interest rates they charge you for lending you "FUNNY MONEY"?

**LEGAL FACT TEN:** That our ENTIRE Commonwealth, State and Local Government debts ARE NOT DEBTS OWED IN LEGAL TENDER NOTES, BUT DEBTS OWED IN "FUNNY MONEY"?

I'm not against the wholesale use of that "FUNNY MONEY": that "MONOPOLY MONEY".

Why do you not wake up and start pressing for legal financial truths and the use of "FUNNY MONEY" in every one's interests and not just the interests of the controllers?

THE CHRONICLE, 1-12-82



Money  
wasted

## AN ECONOMIST'S VIEW

By H. W. HERBERT



# TWO ECONOMIC MYSTERIES PERPLEX

**THERE** are only two economic truths that perplex the intelligent citizen. In both cases it is because there is no close parallel to everyday business transactions.

The first is that Australia no longer needs overseas capital, which is spent on imported goods anyway. We will look at that another day.

The second is that, in a recession, a large Budget deficit is essential but, unlike overdrafts and business loans, it does not have to be repaid.

Business men can see the advantage of a large Budget deficit in stimulating business.

The quantity of facto-

Despite this, the Government still worries about the size of the deficit, and it worries even more about the "excessive" volume of money that the deficit has helped produce.

Treasurer Lynch says "the excessive growth in liquidity and the money supply stemming from the Budget deficit threatens the viability of the economic recovery."

There is no excessive growth in the money supply. Seasonally ad-

when it was announced that trading bank deposits "leapt" by \$434 million in December was based on the raw figures, which always leap in December. The seasonally-adjusted increase (published at the same time) was only \$14 million. Yes, 14, not 434.

No wonder we wallow in recession with 300,000 people out of work. No wonder Mr. Fraser expects recovery to take three years, with Treasurer Lynch navigating.

borrow from the public and the trading banks instead of from the Reserve Bank.

But borrowing from the Reserve Bank costs the Treasury nothing in interest, because the profits of the Reserve Bank go back to the Treasury.

Unlike a bank overdraft, the Treasury never has to repay the Reserve Bank. The Government owns the Bank and can control its policy. It could if it liked

ry production is still about 8 per cent below its pre-recession level of May 1974.

If the Budget were balanced it would have required either \$3500 million less Government spending, or \$3500 million more raised in taxation. Either method would have reduced spending and hence cut factory production, transport, etc. further.

justed, major trading bank deposits were \$14,879 million in September and \$15,080 million in December, a rise of 1.3 per cent.

Meanwhile, prices in the December quarter rose by 5.6 per cent. As every business man knows, it takes more money to finance stock and turnover when prices rise. It took 5.6 per cent more money to finance a steady volume of Australian business in December than it did in September.

But trading bank money only increased 1.3 per cent, so there was a shrinkage in the real, or effective, volume of money by 4.3 per cent in the December quarter. No "excessive growth" at all, a shrinkage.

The standard of debate on economic policy in Australia is incredibly low. Mr. Lynch has never mentioned that allowance must be made for rising prices, in assessing the growth in the volume of money.

The furore last week



Now Mr. Lynch is shrinking the money supply even more quickly. The trading banks are required to put an additional \$775 million into Government bonds.

Also, the new Savings Bonds are offering an over - generous 10 per cent, which will attract much money out of savings banks, trading banks and building societies.

The Savings Bonds effectively lock up subscribers' money for seven months (just at the time we need a boost to spending) by paying only 8½ per cent on withdrawals before August.

The Savings Bonds could easily attract \$700 million out of the banks which, with the \$775 million compulsory subscription, makes some \$1500 million of money going into bonds.

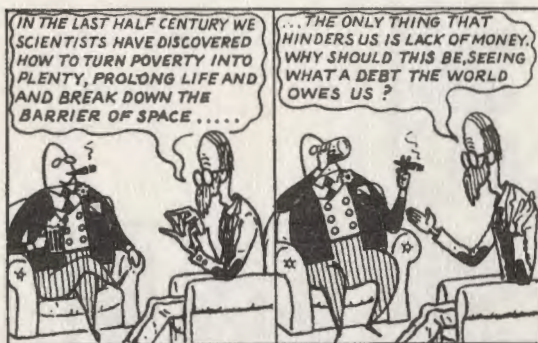
Now for the crowning absurdity.

The Fraser Government is going to use this money to make the deficit look better, to

repay the Treasury Bills with interminable no-interest Bills.

Borrowing \$1500 million from the trading banks and public will cost the Government about 10 per cent p.a. or about \$150 million a year. Interest on \$700 million of Savings Bonds will cost the Treasury, and hence the taxpayer, \$515 million during their seven year life.

What an enormous waste of money, and by a Government which is straining every nerve to cut Government spending, so it says.





The Institute of Economic Democracy is a specialist division of the Australian League of Rights. Its main publication is a quarterly journal, **ENTERPRISE**, which may be obtained, together with various booklets, newsletters and reports such as this one, for an Associate Membership fee of \$10 annually.

The following publications are particularly recommended to be read in conjunction with this report:

"The Money Trick" .....	\$4 posted
"Dictatorship by Taxation" .....	\$2 posted
"The Breakdown of the Employment System" .....	\$2 posted
"The Story of the Commonwealth Bank" .....	\$2.50 posted
"The Bank of NSW Report, Sources of Money, Oct. '78" .....	\$1 posted
Special issue, Intelligence Survey, "The Threatened Destruction of the Federal Constitution" .....	80 cents posted
Enterprise No. 51,	
"The Destruction of Australian Industry" .....	60 cents posted

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