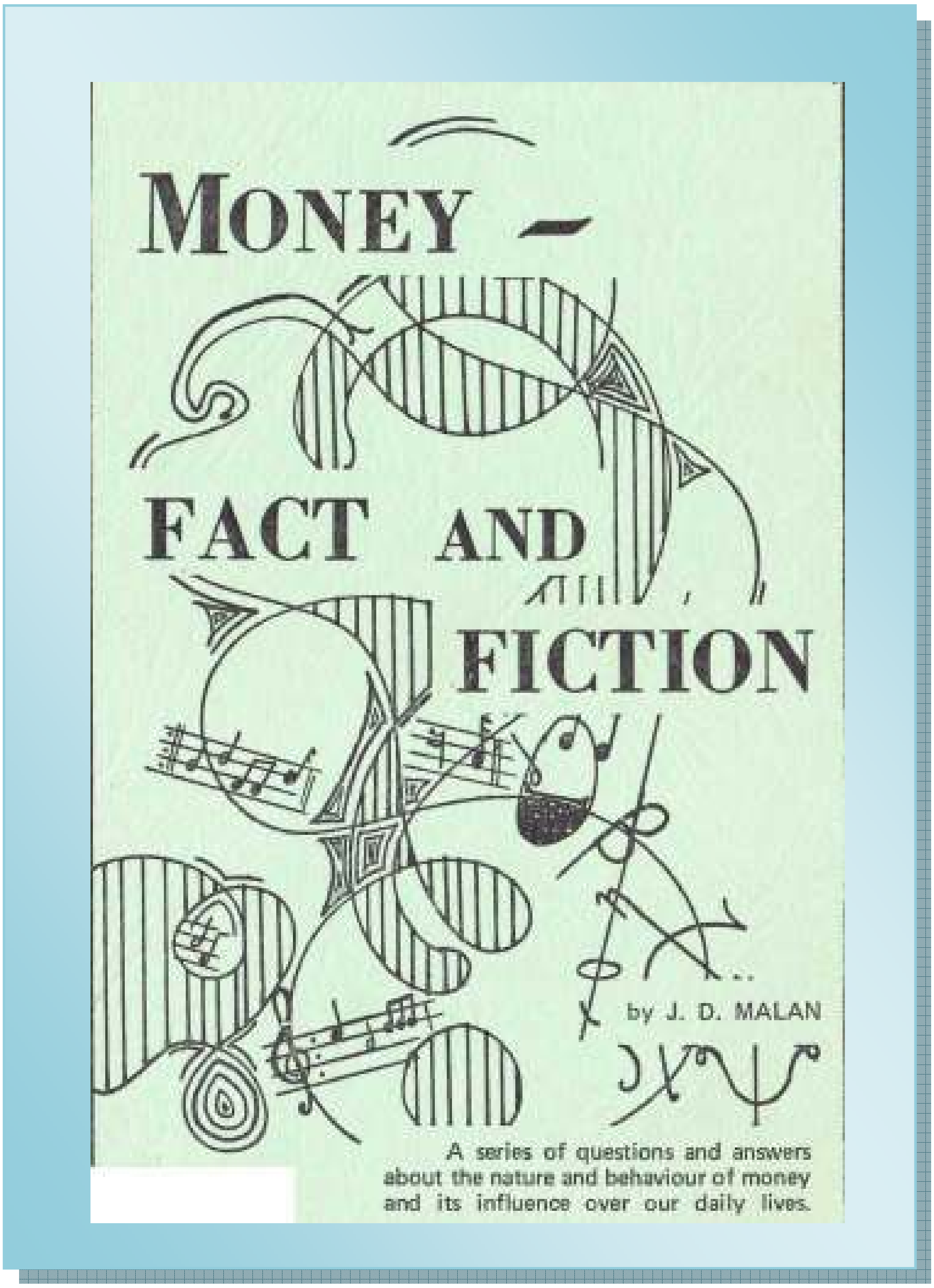

A series of questions and answers about the nature and behaviour of money and its influence over our daily lives.

PREFACE TO THE SECOND EDITION

Since the first edition was published a little over a year ago, many people in all walks of life including politicians and economists, have been invited to point out errors in the text.

No errors of fact have been detected, but the invitation to point out any incorrect statement is still open. The absence of any challenge only serves to highlight the importance of an understanding of the way in which the monopoly of money is driving our civilization into increasingly chaotic situations.

The only changes made in this edition are the addition a short section dealing with the use of cheques, and the arrangement of the section relating money with Natural Law.

Towards the end of this book there is a reference to money being a 'Licence to Live'. This expression was, to best of my knowledge, first used by my father several years ago, but it has since appeared as the title of a book on the same subject* which is recommended to anyone wishing to embark on a more extensive study of money.

J. D. MALAN,
Mackay, Queensland, June, 1972.

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*A Licence to Live, by D. E. Phelps, published 1971 by D. E. Phelps, Loxton North, South Australia.

MONEY — FACT AND FICTION

Although we all handle money in one form or another, usually coins and notes, very few people really understand much about it. This booklet should help to separate fact from fiction and show how our present money system functions.

What is money?

Is it (a) an intrinsically valueless system of symbols, or

(b) the scarcest commodity in the world, or

(c) the natural result of human labour?

All three of these are at times claimed to be true, but only (a) is correct. It is an intrinsically valueless system of symbols which is only useful when it represents real wealth. It is not a commodity, as is so often claimed, and it is essentially costless to produce — as costless as a series of numbers used to identify the pages of a book. Although we are repeatedly told that some desirable project cannot be carried out because of a shortage of money, it is a fact that the shortage is quite deliberate and entirely unnecessary.

What does money look like?

Everyone is familiar with the appearance of notes and coins, but these represent only a few percent of our money — most is in the form of bank deposits manipulated by cheques. Money in this form exists only as symbolic entries in a ledger or even as completely invisible magnetic records held by a computer.

If these facts are understood the purely symbolic nature of money will be obvious. Coins and notes are simply tokens which are used as a convenient way of making small payments.

Where does money come from?

Coins and notes are such a small percentage of our money that their origin is relatively unimportant. It is the origin of the bank deposits which requires explanation.

As children, our first associations with money were the coins we got from our parents. We were encouraged to save these for future use, and when we deposited them in a savings bank account we observed that our bank deposit was the result of the prior possession of cash. But we were unable to see that the cash which our parents gave us came from another bank account from which the family income was derived. Most businesses operate on bank overdrafts which are operated by drawing cheques as well as by the use of coins and notes, so that it is the granting of these overdrafts, or bank loans, which create deposits, including the new savings bank deposits.

The important question is — where did the money come from? The answer is that it was created by the banking system out of nothing with no greater effort than is required to write appropriate symbols in the correct places. There is ample evidence of the accuracy of this statement, and many eminent authorities on the subject can be consulted if required.

When an overdraft is repaid, the money used to repay it is destroyed in the process of cancelling the debt. It is this ability to create and destroy money residing in the hands of the private banking system which gives rise to our present financial problems.

Although the banking system creates almost all the money in our community, and demands that it be repaid because it claims ownership of it, this money would be quite useless unless the community produced the goods and services it represents. And since it is quite obvious that the ownership of money carries with it at least the implied ownership of its equivalent in goods and services, we find ourselves in the ridiculous position of being virtually owned and controlled by the banking system even though its only contribution to the real wealth of the community is the provision of an efficient accounting service.

Some of these basic facts about money can be summarized as follows:

$ $ $ (1) The banking system does **not** lend its depositors' money. It endeavours to maintain a conventional relationship between loans and deposits.

$ $ $ (2) The banking system creates **new** money when it grants a loan or overdraft.

$ $ $ (3) The banking system destroys the existence of money when an overdraft or loan is repaid.

$ $ $ (4) Basically all bank assets are 'costless' to a bank. They create the money for their own use.

$ $ $ (5) The banking system creates **new** money when it buys something.

$ $ $ (6) The banking system destroys the existence of money when it sells something.

$ $ $ (7) In theory there is no limit to the amount of money which can be created. It is **not** a commodity. In practice the limit depends entirely on the method used for its distribution.

How does money function?

Most people are accustomed to thinking of money as something which 'circulates' around the community, and support their ideas with stories of a single note passing through several hands in one day. In doing this we become confused in two ways — first, we are confusing the tokens (coins and notes — the 'hardware' of the money system) with the functional aspect of money, and secondly we are confusing the industrial production of goods and services (e.g. a loaf of bread or a train ride), with personal services such as a part-time gardener who cuts our lawns.

If the baker uses a bank overdraft to obtain the money to pay wages to his employees, as is the case with most businesses, the money he receives for his bread is destroyed when it is used to repay the overdraft. The process of creation, payment to others, sale of product and then cancellation is continuous, but to be understood clearly must be followed from start to finish as a single cycle.

The dollar note used to pay for bread today may be used as part of an employee's wages tomorrow, but these two things are in fact part of two quite separate cycles. It is correct that coins and notes do 'circulate' as long as they are in a fit condition to be used, but they represent many money cycles at different times and places, and it is not correct to say that money, as such, also 'circulates'.

To illustrate this point, consider a theatre where the seat tickets are specially printed for each performance. They are printed only because some entertainment is to be presented, and then only in numbers to match the seating capacity of the theatre. Once used they are then cancelled. If, however, the owner decided to use metal tokens and again issued them only at the same times and in the same quantities as before, the system would produce the same results, but the metal tokens would be used many times and could be said to 'circulate'. But entitlement to occupy a seat would still be created and destroyed before and after each performance. The tokens are the equivalent of our coins and notes, while the entitlement to occupy a seat is analogous to our money.

This distinction between the functioning of money and the movements of the tokens used to implement that function is of prime importance and must be clearly understood before it is possible to understand how our money system operates.

The second point, concerning payment for personal services is also linked with the false notion of the 'circulation' of money. In the case of a man who employs a paid housekeeper, the payment does not alter the total amount of money in the community (if we ignore the effects of income tax) any more than it does if he were to marry the same woman and allow her to spend his income on household requirements. In either case the money merely changes hands during a single cycle from point of origin to ultimate cancellation when it is used to purchase some product of the industrial system.

A very important part of the functioning of our economy is the use of cheques. Almost all transactions (except small personal retail purchases) are settled by the transfer of figures from one bank account to another, and a cheque is only an instruction to a bank to make such a transfer. The cheque itself is not money.

Even for small purchases, the need to handle coins and notes is being reduced substantially by the use of various kinds of personal cards, all of which serve a purpose similar to cheques but more suited to frequent small transactions. This ability to manipulate bank accounts through the issuing of suitable instructions, either with cheques or personal cards, is of vital importance to the functioning of our economy.

The manipulation of accounts operates so efficiently that it is usually taken for granted, but should this service cease to operate for any reason at all, even for a few days, the affairs of the country would virtually cease, because the only alternatives would be the use of vast amounts of coins and notes (which, in any case, do not exist) or a system of barter which would be quite hopeless in a complex civilization.

Some of these basic facts about the functioning of our money system can be summarized as follows:

& & & (8) At least 97% of all financial transactions are performed by the use of the cheque system.

& & & (9) A cheque in itself is **not** money — it is an order to a bank to transfer money.

& & & (10) Transfers by cheque are made entirely by book entries (involving pen, ink and paper only) or, as the use of computers increases, by the adjustment of magnetic records.

& & & (11)Payment for 'personal' services is only a transfer of available money. It has no commercial effect.

& & & (12)Money does **not** circulate. It can only buy one thing and it then becomes cancelled or destroyed.

Is money an asset or a liability?

In fact it is both of these things at the same time. Once again we tend to answer such a question from our personal point of view, and then try to apply the answer universally.

We are all well aware that the possession of money is an essential requirement if we are to get the things we want, and that the less money we have the more restricted are our actions. Although money is not, in itself, able to sustain our lives, its ready exchangeability for almost anything we want makes it obvious that it is clearly a personal asset. Using this argument, it is regarded as an asset in any context, but the possession of money by others is the equivalent of a potential demand on our services, and is therefore collectively a liability.

This question is very important when considering the real effect of investment of capital from other countries in Australia. The real effect is that we acknowledge the demand on our services, as well as the demand on our natural wealth and surrender these to the foreign investor in exchange for the right of access to the goods and services we want and have already produced. It is rather like helping an intruder to rip up and cart away our living room floor because he has offered us the right to consume the food we already have in the family refrigerator.

Before considering in greater detail this very important question of overseas payments and investments, another basic fact about money should be added to the list:

% % % (13) Whilst money is a personal asset, it is also a community's legal liability.

How are payments made between countries?

Coins and notes are only legal tender in their country of issue, yet we know from personal experience that we can send money to a friend in another country by a variety of means. How is this done?

By agreement between the countries concerned, the cancellation of money in one country is accepted as a valid reason for creating an equivalent amount in the other. As the two amounts will be expressed in different money units, the ratio (or official exchange rate) must also be a matter of agreement between the countries. The only physical movement between the countries would be a piece of paper which carried the necessary information, but even this may be absent if some electronic communication system is used.

The traditional use of gold to effect international payments coupled with the one-time use of gold for domestic coins confuses the question by linking gold with the concept of money. This problem can easily be resolved by always regarding gold as a valuable commodity. It is obvious that it is easier to carry gold worth $1,000 than to carry wheat to the same value, so that if we are only concerned with moving something worth $1,000 it would be logical to use the gold.

Much of the confusion today about gold and money could be traced to the ancient admiration of gold for its decorative and long-lasting qualities. When it was used to make coins it is not hard to understand how these qualities became attached to the money rather than the metal. As a result we have now reached the ridiculous situation where money is regarded as more important than the real wealth it represents.

The historical use of gold as a basis for the amount of money to be available in a community still persists in the minds of some people who regard it as a ‘sound’ basis for money. But it must be remembered that it is the products of the industrial system which must be distributed with the aid of money and not only gold, so the amount of money must logically bear some relationship to the price of these products. To base the amount of money on the amount of gold in a country is about as logical as the theatre owner basing his ticket issue on the number of birds in a tree down the road!

The distinction between money and gold is today becoming a bit easier to see because of the many uses for the metal which are being found, particularly in the electronics industry. This highlights the fact that it is a valuable commodity and must always be regarded as such whereas money is nothing but a system of symbols which are intrinsically valueless. ‘Gold’ and ‘Money’ must never be regarded as interchangeable terms.

All international trade is essentially barter, and the use of gold as a valuable commodity which can be exchanged in order to achieve a ‘balance’ in these transactions does not invalidate the statement. However, the physical movement of gold is quite unnecessary, and can be looked on as a separate transaction.

The fact that international trade is a question of barter is evidenced by the two facts already mentioned, one that every transaction must be expressed in two different currencies at each end of the journey and the other that neither of these currencies is legal tender in the other country. There is also another important consideration which requires that all international trade be regarded as barter, and that is the real effect it has on the internal affairs of each country involved.

Although it may not be strictly correct, we can assume that both countries involved in a single international transaction have internal economic systems which are in perfect balance — in other words, their money supply roughly matches their real wealth. If we now add the international movement of a shipment of goods to this scene, and attempt to apply the usual methods of monetary payments, we find several problems.

As already explained money cancelled in one country is matched by money issued in the other, so that the exporting country will issue more of its own money but will have less goods, while the importing country will have cancelled some of its money but will have more goods available. While it is obvious that the individuals who conduct these import and export activities should give and receive money for their efforts, it should be obvious that if each of the two countries fails to make overall adjustments to their internal money systems, they will both be in trouble because of the unbalance between the amount of money and the quantity of goods available — always assuming these to have been balanced beforehand.

However, such adjustments are in fact never made, because the effect just described is used in an attempt to correct an unbalance already existing in each country's internal affairs. But as we have noted, the problems generated at each end of every transfer of goods between countries are the exact opposite of each other — one has more money and less goods, the other less money and more goods — so that it is quite impossible for any amount of international trade to correct an unbalance which is the same in all countries. It is also obvious that all countries do have the same sort of internal problem in that they all complain of a shortage of money and are therefore looking for a surplus of exports to correct the unbalance — a situation which is wrongly described as a 'favourable balance of trade'.

It therefore becomes a question of the willingness or otherwise of each country to adjust its own internal affairs to suit the pattern of movements of goods to and from other countries, and leaves the phenomenon of international trade, as such, as purely a complex set of barter exchanges without the use of money.

These considerations of international payments and trade can be summarized as follows:

+ + + (14) Money, in any form, is only legal tender in its own country.

+ + + (15) Sending money abroad is accomplished by means of an agreed convention of cancelling a given amount in one country and creating its equivalent in another — all by book entries.

+ + + (16) The use of gold to settle international balances of payment is based only on tradition. 'Paper Gold' or any other system of symbols, properly used, would serve the same purpose.

+ + + (17) The so-called 'favourable balance of trade' (exports exceeding imports) is not only inversion of truth but admission of failure to deal with another purely domestic money problem.

Does our money system function efficiently?

Before this question can be answered it is essential to know what is considered to be the desired objective of the money system, and therefore a basis on which to judge its efficiency.

It is obvious that money, as such, plays no physical part in the production of any of the goods or services produced by industry although its use makes production much easier to organize. But the production of these things is pointless unless they are distributed to the people who want them, so that the prime function of money is to facilitate the distribution of these products of the industrial system. No matter how extensive is the search for any other justification for the existence of money, no other valid reason will be found which is consistent with the best interests of the individuals who comprise the community. This being the case we can seek an answer to the question by looking at the efficiency with which our present money system achieves this objective.

In fact it is about as inefficient in achieving this objective as any money system could be. Consider the following easily observable and very significant facts:

(a) We are forced to do everything possible to save money for future needs, yet are continually robbed of our savings through inflation.

(b) In spite of the rapidly decreasing amount of human labour needed to produce any given article, we find ourselves having to work longer to obtain the money required to purchase the things we need.

(c) It has completely failed to overcome the ridiculous spectacle of widespread poverty in a land of plenty.

(d) It persistently and inevitably condones and encourages the large scale destruction and pollution of our natural environment.

This list could be extended almost endlessly, and always with the same result that as a means of distribution of the products of the industrial system our present money system is a hopeless failure. However, it obviously functions in some way, and the immense opposition to any suggestion that it be changed is a clear indication that it must be a very efficient system in achieving some other objective, and the next logical step is to attempt to discover what this objective is.

To do this we can observe some other things it does, and the first and most important relates to the already discussed fact that bank overdrafts are a direct creation of money. In fact it can be shown that with a few minor exceptions, almost all our money is created as a debt to the banking system, and that all these debts are interest-bearing.

The ability of any one individual or organization to acquire a credit balance is entirely dependent on the creation of a greater debt elsewhere in the community, and it is also a fact that as virtually the only source of money is this same interest-bearing debt system, the only source of money to pay the interest is yet another debt. Debts once incurred under these conditions can never be fully repaid because there is no money in existence to pay the interest, and the repayment of the principal would require the cancellation of essentially all the money in the community.

If such a debt can never be repaid, it follows that it can only be transferred to some other person or organization. The net result of this absurd arrangement is that the total of all individual financial affairs in the country — private, industrial, semi-government and government all combined — must be a debt of a magnitude substantially greater than the total value of every real asset in the country.

It is therefore quite clear what our present money system can and does achieve with maximum efficiency — debt in ever increasing quantities, together with the related effect of ever increasing taxation.

Some of the more important facts about the functioning of our present money system can be summarized as follows:

£ £ £ (18) Basically all types of existing taxation are aform of robbery and are quite unnecessary. It is simply used as a means of government.

£ £ £ (19)Taxation or rates do not provide the recipient organization with money unless they already have a credit balance, which few, if any, ever have.

£ £ £ (20)Government taxation is used to reduce the National Debt or redeem Treasury Bills. The government obtains new money by the issue of Treasury Bills, which are equivalent to a loan or overdraft at the Reserve Bank.

£ £ £ (21)For a government to say that they 'have no money' is as nonsensical as failing to number the pages of a book because of a shortage of figures. It is also a deliberate untruth.

£ £ £ (22) Legally a 'person' is a 'taxable entity'. An object cannot be taxed — only its owner can be.

Are some popular misconceptions about money really important?

Without doubt they are very important, because most of them make it much more difficult to see clearly what money really is and what it should do. It is worth discussing some of the more important ones.

We all know that it is a crime for anyone to manufacture notes or coins but very few people will object if told that someone has 'made' some money in a business deal, when the correct statement should have been that it was 'earned' or at least 'acquired' by what we assume to have been honest means. To say that we 'make' money is to imply that it did not exist prior to our actions, but we obviously do not mean that we have indulged in a criminal act. This misuse of words tends to support the view that money is created as a result of human labour, and helps to obscure the true origin of our money. This point is often illustrated by pointing out that a farmer growing a ton of wheat does not, at the same time, cause an equivalent amount of money to come into existence.

It is also a very common misuse of words to refer to a 'waste' of money, when we are thinking of some situation in which some commodity which was purchased with money was wasted. This distinction may at first seem obscure or even trivial, but it is actually vital to a clear understanding of the purpose of money.

As already discussed, the only logical purpose of a money system is to facilitate the distribution of the goods and services produced by the industrial system. This being the case its function is in no way related to the nature of the goods or services, or to the desirability or otherwise of the purpose they are put to. The money has served its intended purpose when it is used to make the purchase and is therefore not wasted. The goods purchased can be wasted in a variety of ways, particularly if they turn out to be the wrong ones for the task in hand.

The belief that money can be wasted tends to support the idea that it is a commodity in its own right, and makes it more difficult to see it clearly as nothing more than a system of intrinsically valueless symbols.

Another popular fallacy is that if only the correct formula could be found, it would be possible to solve all the present problems of employer-employee relations, and to ensure that workers will get a just wage and inflation will be controlled. Truth is that within the rules of our present money system there is absolutely no possibility of any of these problems being solved, except in very small and isolated sections of the community and then only for relatively short periods of time.

If we consider any business undertaking, it is a case of simple addition to show that the price of the goods it produces must include many costs in addition to the wages, salaries and profits actually paid to individuals. Such items as purchase of raw materials, taxation, bank interest, depreciation, etc., are usually paid out to other organizations rather than to individuals and, as already discussed, such payments almost invariably are used to repay existing bank overdrafts and are therefore cancelled. It follows from this that no industry can, on its own, distribute purchasing power at a sufficient rate to match the price tags on its own production. This makes it inevitable that if every individual section of industry is in this position at the same time, then the sum total of all these organizations must be similarly placed. This means that if all the goods are to be sold, as they usually are, they can only be sold by the use of money which has not formed part of the same cost structure. If, as is inevitably the case with our present money system, this other money has formed part of some other cost structure, this money solves one problem by creating another and bigger one.

Usually this second cost structure relates to some project in which the product is one which will never be purchased by an individual for his personal use. Such things as buildings, power stations, roads, railways, etc. are in this category. The much bigger problem which is thus created is that these capital items will eventually be charged, as depreciation, into the cost of the future production of some consumer products and will therefore contribute to the perpetuation and progressive worsening of the overall problem.

This concept is not easy to grasp, but its importance cannot be overestimated. If it cannot be accepted as correct, or its importance is not immediately clear, it is an indication that it should be the subject of further study. Although some people find an understanding of this problem somewhat elusive it can be proved to be mathematically correct, and although frequently challenged since it was first described about the year 1919, it has never been proved incorrect in any way.

There are undoubtedly many other misconceptions regarding money which could be discussed at length, but the ones mentioned are amongst the most important, and they can be summarized as follows:

= = = (23) Itis illegal for any individual or body to 'make' or 'create' money. It can only legally be 'acquired', which implies its prior existence.

= = = (24) Itis not possible to 'waste' money, no matter for what purpose it is spent. The item purchased, however, can be wasted.

= = = (25) In any given business the money paid to individuals (wages, salaries or dividends) is always less than the minimum price of its products. Fundamentally this creates goods which cannot be sold.

How can the present problems be solved?

Before any money system can be made to function correctly it is essential that certain basic conditions must be satisfied, and the most fundamental of these is that it must be capable of correctly representing, in symbolic form, what is happening in real life. Even though our present money system completely fails to achieve this apparently simple objective, there is no doubt that it could be progressively changed over a period of several years, until it did fulfill this requirement. And it is also certain that the changes could be implemented without violent upheaval in the administration of either the banking system or the business world.

It is, however, quite essential that sufficient numbers of people must become aware of the need for the change and be convinced that it can be achieved. By 'sufficient numbers' is meant either a numerically large group, which could be unlikely because of the control of the means of mass communication by the present money monopoly, or alternatively a much smaller number of people who are more influentially placed and who have the knowledge and understanding to see the consequences of a failure to correct the present faults.

Most people defend the present money system because they have never known any other, and because they are continually being told by politicians, economists and others that no other system is possible. It is only seldom observed that these same people are the ones who have a personal interest in maintaining the present system even though in many cases they may deny it. At present we can only obtain the money which is essential if we are to be able to purchase the things we need by persisting with the occupation we have been trained for. If this happens to have some relationship to the task of trying to make our faulty money system function, however imperfectly, then there is a personal interest in retaining it.

For similar reasons the whole subject of money is deliberately presented as being so complicated and confusing that the average 'man-in-the-street' is convinced that it is quite beyond him. This has been so successful that most people admit defeat before they start and prefer to leave it to the experts' — which is just what these 'experts' want.

In fact the principles of a scientific money system are so simple that a first year high school student would have no difficulty in understanding them provided he had not been supplied with erroneous information beforehand. In many cases it is this very simplicity which makes it difficult to accept, because it does not seem possible that such an apparently complicated subject could be made so simple.

It must be pointed out, however, that there is no suggestion intended that everyone should or could become financial experts. It is only the principles involved which should be understood by the largest possible number of people, while the undoubtedly very complex techniques required to implement them must be left to the experts. In the same way it is important that everyone who wants to use a motor car must know that it needs petrol and oil, but does not need to know how the car was built or how to repair it — for these tasks he employs an expert.

In other words, the experts should be told what results they are required to achieve, and then left to devise their own methods of doing so. The expert has no right to make decisions on questions of policy.

With so many social and economic problems facing us on every side, it is tempting to try to solve the apparently simpler ones before dealing with the apparently complicated money problem. But in spite of all these problems, there is no doubt that correction of the faults in our present money system must be dealt with first. None of the other problems can be satisfactorily dealt with unless and until we have a properly functioning money system. The fact that it is unquestionably the most difficult subject on which to get any worthwhile action does not alter the fact that to attempt to put it aside while other seemingly more urgent problems are solved is a supreme example of self delusion.

Since our present money system is the prime cause of almost every problem troubling societies throughout the world today, and is the one and only social mechanism which is essentially the same in every country, it is quite certain that any attempt to solve other problems without dealing with the money system first is about as likely to succeed as an attempt to propel a yacht by standing on the deck and blowing on the sails.

The fact that the problem is common to all countries is often advanced as one reason why it would be impossible to change the present system because of the obvious difficulty in obtaining universal agreement on a new one. This attitude, like other arguments calculated to discourage investigation into the workings of the present money system, cannot survive even casual examination. It has already been discussed that international trade is essentially a question of barter, and there is no logical reason why this could not continue irrespective of the monetary systems in use in either country.

It is quite possible for a single country to correct their internal money system without reference to other countries, and there are several reasons to believe that Australia could be the country most likely to succeed in making the vital changes.

Summing up, these facts about the barriers which exist to the solution of our present day problems could be stated as follows:

@ @ @ (26) There are three basic conditions which are essential before money, in any form, can have any meaning or use. They are:

(a) a stable form of government — which is by no means universal,

(b) a functioning industry with a minimum of interruptions, and

(c) a consuming public with available and adequate purchasing power.

@ @ @ (27) Virtually every problem is basically a question of money including foreign policy, exports, pollution, poverty and the so called ‘unemployment problem’.

@ @ @ (28) Most people try to justify the existing money system in spite of the obvious financial chaos it is causing throughout society. They do so either in ignorance or deliberately.

@ @ @ (29) No problem can or will be settled without a fundamental change to the existing monetary system. Solve the money problem first and what else remains is easily adjusted. In other words ‘first things first’.

@ @ @ (30) The solution rests primarily in a correction of the present method of accountancy. The existing ‘error’ is the only ‘common factor’ in every country of the world.

To whom should our money really belong?

This may at first seem to be a pointless question, but it has already been explained that the banking system claims ownership of the money it creates and lends by way of overdraft, but as money is nothing but a symbol to represent real wealth, it is the people who produce the real wealth who should be the rightful owners of the symbols. A claim that the banking system is entitled to ownership of the money they create is no more logical than claiming that the printer who produces the theatre tickets is entitled to claim ownership of the right to admission to the theatre. Both the printer and the banking system are entitled to a reasonable reward for their respective services rendered, but not to the face value of the tickets or symbols they produce.

If the members of the community produce the real wealth, as is obviously the case, it is their representatives in Federal Parliament who should control the monetary policy of the country in the best interests of the individual citizens, in the same way that the directors of a company are expected to control the activities of the organization in the interests of the shareholders.

Is there a relationship between money and natural law?

Yes, there certainly is — although it is all too often overlooked. We are all subject to the operation of

Natural Law, but in most cases our acceptance of this situation is instinctive and quite subconscious. To understand the importance of Natural Law to a study of money, it is necessary first to consider it as it affects our physical environment.

A simple example is the law of gravity. We know from experience that we cannot avoid it, and therefore arrange our actions accordingly. If we foolishly believe we can change it and, for example, cause water to run uphill, a drainage system constructed according to this fallacy would not function as we intended. But it is important to note that it would function in some other way — for example we may get sea water draining back on to our property instead of rain water draining to the sea as we intended. The results of our actions will always be in accordance with Natural Law, irrespective of how inconvenient those results may be.

It is obvious that experience would soon teach us that we must respect the way Nature has dictated that the water shall flow, with the result that the art of building effective drainage systems would quickly develop. This applies to every branch of learning, but it is not yet fully realized that learning is primarily a matter of adjusting our mental processes until they agree with the natural behaviour of things.

This acceptance of the obligation to respect Natural Law does not imply that we should limit ourselves to those things or processes which occur in nature without man's intervention. It does mean, however, that in producing new substances or new processes we must discover and respect the appropriate Natural Law. Another example will make this point clear.

We are all familiar with transistor radios, but probably do not realise that the transistor itself, one of the most significant inventions of this century, is built from a minute particle of metal obtained from sand. Transistors do not occur in nature, although the possibility of making them has always existed. It required the discovery of the Natural Law governing the behaviour of this material, silicon, before manufacture became possible.

In the process of learning to understand Natural Law, and of using our knowledge in planning any course of action, we make extensive use of a wide variety of symbols. Since these symbols are entirely inventions of man, we are free to set down any rules we please to govern their use and manipulation. But if we devise rules which impart to the symbols a pattern of behaviour which is not the same as the behaviour of the real things they are intended to represent, then our symbols will not serve their intended purpose, and actions taken as a result of our use of these false symbols will not bring the results we intended, but will bring some other results.

Man's experiences have shown clearly that he must so arrange his symbols that they correctly represent Natural Law, and this requirement is acknowledged in almost every branch of learning — the one exception being the subject of economics, in which this obligation has not yet been acknowledged. It has even been claimed that there are no Natural Laws which have any bearing on the subject, although it is obvious that we cannot deny the existence of Natural Laws governing the behaviour of the things our money symbols are intended to represent.

But in spite of these facts, some people still deny that any obligation exists for man to so arrange his money symbols that they comply with Natural Law. A simple example will serve to illustrate how our present money system fails to do so.

One of the most fundamental laws of nature is that we cannot use material which does not exist. Expressed another way, this quite obvious statement means that there can never be such a thing as a physical debt. We are completely unable, for example, to borrow next year's crop of wheat if we are starving today, or water drought-stricken crops with the rain which will fall next month. Yet our money system not only permits financial debt but demands its creation in ever increasing quantities.

Our real wealth — nature's stock-in-trade — will continue to obey natural laws and not our faulty money system, no matter what we do by way of man-made laws or regulations. Our choice is simple — we can continue to ignore natural law and the result is inevitable — failure, confusion and chaos even more drastic than we see on every hand today; or change our symbols so that they comply with the way nature dictates that our real assets will behave. Then, and only then, can we begin to enjoy the benefits of man's increasing ability to use nature's 'stock-in-trade' for his own benefit without at the same time destroying himself and his environment.

Money is purely an invention of man — it never appears in nature — and is in fact one of man's most important inventions, but because of what is really a relatively minor fault in the system it has become possible for the control of money to be concentrated in fewer and fewer hands and for this control to become powerful enough to virtually rule the lives of the entire human race.

This concentration of power and the behaviour of the persons involved in it or controlled by it is also subject to the operation of natural laws. Although it is outside the scope of this booklet, it could be questioned whether these laws are likely to result in the end of our present civilization through destruction of the environment in which we live, or whether the natural desire of individuals for a life of freedom will eventually prevail.

An efficient and natural money system could and should be man's greatest aid to the constant self-development of every individual in the community, and it should permit that self-development to follow each individual's personal plan subject only to the natural limitations of true freedom. It should be the most ubiquitous and at the same time the most subservient of all social systems. Far from this, it has become the most dominant and least understood of all. It has, by a process of slow changes, placed in the hands of its controllers the power over peoples' lives and the things they do. It has become virtually a 'Licence to Live'.

If this perverted role of money is not changed, and oddly enough the changes needed are only minor ones even if of vital importance, nature's laws will prevail even to the extent that our present civilization will become just another on the list of ones which have failed and vanished.

Who has the power or authority to correct these faults?

There is no doubt that our Federal Parliament has adequate authority to correct the present situation in which they are subject to the control of the money monopoly, and it is vital that they be made to do so before effective control is completely lost to international influences. The power to bring about these changes lies in the hands of every individual in the community.

The threat to everyone in the country by the imposition of 'One World Government' through the power of money is a very real and personal one. The time available to us to extricate ourselves and Australia from this perilous situation is dangerously short.

Summing up these final points, the following facts should be noted:

#(31) When the banking system creates new money in any way — see (2) and (5) on page 5 — to whom does it belong? In theory all money exists only to serve the needs of the individuals who comprise the community and who give it value by producing the goods and services it is intended to represent. Remember that the ticket printer does not own the train ride.

(32) At present the power to do things or control people ultimately resides in Money. It has become a 'Licence to Live'.

(33) The only honest purpose which money should serve is summed up in the quotation—

"Systems were made for men, and not men for systems, and the interests of man, which is self-development, is above all systems whether theological, political, or economic."

EPILOGUE — A MODERN FAIRY TALE

The King's Oracle

ONCE UPON A TIME there lived a good King who ruled over a small country where the people were poor but honest and hard working. The King was worried about the poverty which was almost universal throughout the land, and spent almost all his time deep in thought trying to find ways to help his people. Most of his subjects, however, did not worry about their hard life, and found enjoyment in discussing amongst themselves their ideas of dream worlds where life would be comfortable and luxurious. But they knew they were only dreams, and they returned to their labours without complaint.

The King, however, being a more serious man, was upset by their complacency and sought the advice of his Oracle, who was also a very cunning man. The Oracle told the King that his subjects should be prevented from talking about their dream worlds. This he undertook to do if the King proclaimed that no person could use words which were not authorized by the Oracle, who would have sole control over the issue of new words. So as not to be too hard on the people, the King insisted, as a condition of the agreement, that any word which described anything the people already possessed would be free for all to use. And so the people were able to see that their King was indeed a good and kind man, and life went on much as before even though they were rather restricted in their dream talks.

Years passed, until many generations later there was nobody who knew why the Oracle was the only person who could issue new words, but it was not very important and no one bothered to work it out. Then one day a very clever man invented a new tool to make life on the farms easier, and he dutifully asked the Oracle for a new word to describe it. This began to happen more and more often as the people learned new skills and discovered new materials, and soon the Oracle began to demand a share of each new invention every time he issued a new word.

Many generations passed and eventually the Oracle found himself doing nothing except issue new words, and as each generation of Oracles took over from the previous one, the position of Chief Oracle came to be the richest and most powerful in the land — even more so than the King. Before long the Oracle realized that no new invention could be used without his words, and he began to demand bigger and bigger shares as his price for each new word. But still the inventions appeared faster than the Oracle could be persuaded to create the new words, and all over the land there were machines, and men waiting to use them who could do nothing until the Oracle produced the new words they needed to be able to learn the new skills.

And while men worked hard and produced many wonderful things which even their distant ancestors had never dreamed of, it became the hardest task of all to get enough new words to enable all these new things to be used, and many men spent all their time trying to find ways of increasing the output of new words from the Oracle's now very large and powerful organization.

But in spite of all the wonderful things the people invented and all the skill and knowledge they had acquired, not one person ever thought to challenge the Oracle's right to the monopoly over the issue of new words. Some people even thought the wonderful but idle machines were the cause of their troubles, and seriously suggested they should be destroyed. Nobody knows the end of this strange story because this small and very peaceful country completely disappeared without a trace a long time ago — which is not surprising because it is hard to see how such stupid people could ever be expected to live happily ever after, which, as we all know, is the traditional ending of every fairy tale.

But is this story so far fetched? Let us look at the situation just before this unhappy country of our story disappeared. The people had in their hands everything they needed for a comfortable and happy life, but refused to believe they could use them without new words — mere symbols — which their Oracle kept in short supply. Obviously a ridiculous situation which could only happen in a fairy story. Is it?

Look around our own, and very real, world today. We have an almost limitless technology and an industrial complex capable of mass production of everything we need. We have an array of facilities such as roads, airways, radio, television and countless others which should make our lives happy and comfortable —

but we refuse to make proper use of them because some very worried but probably kind hearted ruler a long time ago gave away the people's rights to the simplest and most wonderful system of symbols ever invented — MONEY.

Money — quite useless on its own but the most flexible symbol system of all time — is the only element in our modern world which is continuously and almost universally in short supply? Why is this ridiculous situation permitted to continue?

Why indeed? Because we still cannot see that our wonderful symbol we call money is not the property of the Oracle — sorry, banking system — but belongs to the people who created the things it represents and should be controlled by them for their own benefit.

Can you imagine a family existing on meagre rations because they could not think of the names of the many sumptuous foods in their cupboards? Of course not. Then look at the real world around you and you will see that we are doing just that, for no better reason than our slavish insistence on placing more importance on the symbol than the real things. Try removing all reference to money from any situation or report of events in the world today, and the real meaning will start to emerge. Every issue of any newspaper or magazine will yield many examples to test your ability in this fascinating and educational game.

And then what? Once reality can be seen as it should be — stripped of the facade of money — a decision must be made. Are we to disappear like our fairy story country, or do we want to make use of the things we already possess? We must demand the return of our long-lost rights and regain control of our money symbols, because we will have to put that Oracle in his proper place before we can have any chance of knowing that our own, and all the generations to come, can, in the words our fairy story lacked, LIVE HAPPILY EVER AFTER.