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Big Battle

by the Hon. King O'Malley

Founder of Commonwealth Bank of Australia

TO SAVE IT FROM DESTRUCTION
BY THE
POLITICAL TOOLS OF
CAPITALISM

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With the Compliments of the Hon. King O'Malley

MELBOURNE : : 1939

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INTRODUCTION

To the Sovereign Thinkers of the Commonwealth Democracy declares certain fundamental principles which are self-evident and indefeasible. That all individuals are created equal, that all are endowed with rights which only the possessors can alienate, that among these rights are life, liberty and the pursuit of happiness. That Governments are established among people to safeguard these rights, that Governments derive their just powers to govern from the consent of the governed. Upon these democratic, rock-embedded principles must forever rest the foundation of all truly free, responsible government. Democracy is the government of the people, by the people, for the people. I know as the Commonwealth grows older, new political issues will arise of time and progress. But the fundamental principles of democracy will always remain as the only palladium of free government. The maintenance of even-handed justice, the equality of all citizens before the law, the reserved rights of the States and the supremacy of the Commonwealth within the bounds of the constitution must constitute the basis of our liberty and must never be abandoned, isolated or surrendered without wrecking that parity of rights and powers which will enable the Commonwealth to advance. In order to help the producers and small traders, to prevent the political megaphones of the big money monopolies and banking trusts of the world from gradually bleeding the citizens to death. The Bank that financed the war and saved Australia from a universal bank smash on the outbreak of war, no bank can stand a big run. I am publishing at my own expense the real Banking Powers for the benefit of all the people who had no opportunity to learn and furnish knowledge to the rising young politicians.

Commonwealth Total Debt	£1,200,458,123
Total Interest Annually	£50,435,458
Debt to Britain	£550,799,115
Interest Paid Annually	£27,337,473
And in Commonwealth	£23,097,985

FUNCTIONS OF BANKING.

The function of progressive banking is to facilitate the production, transportation, and distribution of commodities of general utility through all the stages that lie between the original producers and the ultimate consumers.

The medium of exchange is the most potent force in the progress of production, trade, and commerce as distinguished from common barter. The ultimate object of all trade and commerce is to exchange commodities for commodities. When commodities are exchanged for money the process of production, trade and commerce is only half completed. Whatever is satisfactorily accepted to facilitate production and trade during the process of interrupted exchange becomes a temporary medium of exchange. The perpetual declaration that money is the medium of exchange is only a fraction of the fact. The word money is continually being misapplied. In common parlance, money is synonymous with wealth and power. People say certain persons have plenty of money, meaning they possess great wealth and power. Again, that some financial magnates own large amounts of money, meaning that they command big capital, while the fact is wealthy men and great financial magnates possess very little money. It is no exaggeration to say that the average wealthy man possesses less money than the average poor man. In reply they will say that the wealthy do not carry their money in their pockets, but have it on deposit in the banks. This declaration illustrates another popular misuse of the word "money". No person has money in the bank. A credit on a bank ledger is not money; it is simply legal evidence of the bank's indebtedness, which may, or may not be paid like any other debts. Whatever money a bank holds belongs to the bank, which is always less than the deposits. The most that can be said of money as a medium of exchange is that it can be used as such, but it is rarely ever utilised as a medium of exchange except in petty transactions. The medium of exchange in all the petty transactions is money, but in all the great commercial and financial transactions it is not money but fortified credit.

Fortified credit for utility as a medium of exchange is created by purchasing for the purpose of selling and is liquidated by selling for the purpose of consumption. Such credits expand in proportion to the expansion of production, trade and commerce, and contract in proportion to the contraction of production, trade and commerce. The producer or trader who evolves an exchangeable credit deposits it in his bank, and utilizes it first, then it is transferred time out of number by cheque, effecting exchange after exchange until it is finally redeemed. The intervening exchanges are made with money. Therefore, while all the great financial commercial transactions are effected by fortified credit as the medium of exchange, all producers and traders do not go in debt for commodities. Those who do not utilize credits which have been created by others. Sympathetic banking is essential to agricultural, industrial, and commercial developmental progress. But unfortunately the existing Australian country branch banks possess no independent functions, as they are indirectly managed from the large cities and purely in the interests of the shareholders. The banks should be sympathetic co-workers with the producers and traders. While the banking function is only secondary the producing function is primary.

Production, trade and commerce are the basis, and without the producers and traders there could be no banking function. The producers and traders generate the business credits, the banks certify to their value, making them available as a financial medium of exchange. The banks are only the clearing houses of producers and traders. They clear their customers' transactions by offsetting indebtedness, utilizing little money. Banks are institutions of indebtedness instead of repositories for money.

BANKS ARE DEALERS IN DEBTS.

(They are traders in debts.) Their assets principally consist of legal evidence of indebtedness. The banks are the biggest debitors of all communities. They are in debt to nearly all the people, and most of the people are in debt to them. In fact, banking is a profound exhibition of the monumental power of skilfully manipulated indebtedness. Many financial misconceptions exist owing to the improper use of the words

"deposits" and "loans". When the public is informed by the newspapers that bank deposits have increased by many millions during the year it is believed to be an increase of actual money. However, it simply means that producers and traders have expanded their indebtedness, which has been exchanged for fortified bank credits, thus also increasing the banks indebtedness. It is the increase of indebtedness which can be utilized as a financial medium of exchange, and not the increase of actual money. The increase of real money cuts no ice. Considering the banks as money institutions in conjunction with the utility of the words "deposits" and "loans", it is the universal belief that the sequence of banking is first deposits, then loans, and therefore the bank's loans must be limited by the amount of the deposits. Let us investigate these apparently self-evident, but in fact false propositions. Supposing I borrow £10,000 from the bank on a mortgage and immediately deposit it in my own name. That transaction would increase both the bank's loans and deposits by £10,000. Although it would increase the bank's deposits £10,000, it would not be evidence of an increase of real wealth. After I had secured the £10,000, the bank would possess no less real money, and I no more real money. I would have only a credit of £10,000 on the bank ledger. It was not a borrowing of money, but an exchange of fortified credit. I have exchanged my securities as legal evidence of my indebtedness to the bank in return for a book entry as legal evidence of the bank's indebtedness to me. I can transfer the bank's indebtedness to me by cheque, which is miscalled drawing the money from the bank, but as my cheque will be deposited in the same or some other bank and the £10,000 security would remain a portion of the aggregate deposits of the banks, either in the original or some other bank until cancelled by redemption.

In my transaction, the bank increased its deposits by increasing its loan and if all the bank's deposits be regarded in the aggregate it is evident that the deposits increase in proportion to the increase of the loans. The principal deposits are produced by the principal loans. The truth is, in all the principal banking transactions there is no borrowing, lending, or depositing. They are purely debt transactions — an interchange of fortified credits, which, in the matter of bookkeeping, swells both the deposits and loans in equal amount at the same time. In the main, the whole of the deposits are produced by exchanging the bank's fortified credits, in the form of promissory notes, cheques, drafts, bills of exchange, etc. True, small streams of actual money flow in and out, but they are so nearly equal that the difference plays no part. A bank's cash resembles a column of metal with a slight ripple on the surface. In the Commonwealth the biggest ripple on the surface of the reserve is created by the daily clearances. With a systematically organized National Banking Scheme no money whatever, except for petty transactions would be required.

The daily balances at the London Clearing House — amounting to untold millions annually — are settled without the use of money. Interchanging fortified credits should be the chief function of modern banking institutions. Their business should consist in investigating individual and co-operation credits, and extending their own fortified credits in exchange for such individual co-operation credits as are acceptable, thus always supplying a reasonable commercial medium of exchange. To consider banking as merely money lending is to demean its main function.

PRODUCTION, TRADE AND COMMERCE CREDITS.

The development of trade credits has relation to production and their extinction to consumption. There is always an indefinite period of time between production and consumption. As consumption cannot be definitely accelerated, and the commercial mediums of exchange once issued cannot be redeemed until commodities are demanded for consumption, a vast volume of such floating capital must be always outstanding, and as production and consumption are perpetual processes the function of banking is also perpetual. The Banking System which misses perpetually to exercise the function of exchanging fortified credits neglected to perform its sacred duty, and does irreparable injury to the community because the standard value of products can be maintained only by the business people with the help of the banks unflinchingly sustaining them at reasonable rates of interest until they are required for consumption. When the banks refuse to exchange fortified credits with the producers and traders, they are forced to discontinue purchasing, and sacrifice their goods below cost price in order to secure sufficient money to meet maturing obligations. Such attempts must always prove abortive, because the consumption which generates the ultimate redemption of fortified credits is essentially a uniform hand-to-mouth process. The producers and traders who unload on other producers and traders do not reduce the volume of debts; it only affects these producers, traders, and perhaps their bankers by transferring the burdens to other producers, traders, and other banks. But this method only reduces values lower and lower, until many of the honest producers and traders are ruined, and compelled to join the unemployed.

IDLE WORKERS AND CAPITAL.

The ruination of these employers deprives workers of employment. The ability of these unemployed workers to consume is limited, which curtails the demand — still further lowering values, ruins still other traders and producers, depriving more workers of employment, still further reducing values and consumption, bankrupting producers and traders, and finally bursting many of the banking corporations, and this evil is the result of bad banking. Most banks limit loans when some customers withdraw balances, only intensifying financial crises. Yet in 1893 during the bank smashes when the deposits had decreased by millions owing to the contracting of credit, the banks possessed far more real money than ever before. This is clear evidence that the cause of the panic was not a shortage of money in the banks. The stupendous decrease in deposits was equalized by the decrease of the loans, and was due to the refusal of the banks to continue exchanging fortified credits with the producers and traders.

The difference between the decrease of deposits and the decrease of loans was trifling. The reason of the enormous shrinkage of the available medium of exchange or the vast decrease in deposits and the consequent destruction of normal values followed by bankruptcy of producers and traders and distress of workers was the direct action of the banks in contracting their loans. That the private banking corporations should stumble at every panic and stop the exchanging of fortified credits is inevitable, and the only remedy lies in the successful functioning of the Commonwealth Bank, which, as at present constituted, is impossible.

Each corporation must depend on itself, without the co-operation of the others it cannot maintain the required credits of a debitor Commonwealth. Each scrambles to increase cash reserves at the expense of others. Where else is cash to come from to reduce the liabilities? Their isolated weakness forces each to prey on the others, and adopt David Harum's version of the golden rule "Do unto the other banks what you know they will do unto you, but do it fust". This unnatural scramble after money to maintain reserves will never again effect the commerce of the Commonwealth when a National Banking System is in proper operation, so connected through numerous branches throughout the Commonwealth that each branch will constitute a mutual help to all.

The only banking law in England is that restricting the issue of bank-notes. In all other respects the banks are as free as other corporations. There is no English law requiring any reserve whatever to be held against deposits. But the Bank Act of 1844 names a minimum reserve to be held by the Bank of England against its outstanding notes. This minimum reserve requirement was expected to correct all financial evils. It was forever to prevent speculation, bank failures, and commercial panics. It required the banks when the limit was reached to stop loaning, yet within three years the law, instead of stopping, produced every economic explosion which it was expected to prevent, including a currency panic. When the legal minimum of the reserve was reached, and in obedience to the law the bank discontinued discounting loaning, and called in all overdrafts without renewals. The greatest distress followed; producers and traders could not liquidate even at the sacrifice of all their property. London producers and traders walked the streets at midnight, offering their commodities at any sacrifice, values disappeared, consols and exchequor bills were offered at fabulous discounts, but could not be sold. Extravagant rates of interest were offered in vain for the use of money. Finally, in the midst of universal panic, on petition signed by tens of thousands the very Government which had procured the passage of the law was forced to request the banks to disregard the law. The banks resumed exchanging bank credits, and in a short time after it was known the panic was ended.

Producers and traders who had been clamouring for loans refused them when offered, the "smarties" who withdrew gold at high rates returned it and begged the banks to accept and cancel interest. Again in the panic of 1857 the total gold reserve in the Bank of England and its branches was reduced to only £358,208. This was practically the total aggregate reserve of all the banks of England. At the close of business on November 12th, 1857, the Government allowed the Banks to disregard the law. The Bank of England made new loans, that is, interchanged credits, besides renewals, in the sixteen days remaining of November amounting to £8,000,000. That is to say, with only £358,208 of reserve, the Bank of England expanded its loans in eighteen days by £8,000,000, and its reserves increased day by day. Following the example, the other banks expanded their credits. These are facts well worth deep reflection. When the bank stopped discounting in order to protect the reserve, the reserve decreased; as soon as they resumed loaning the gold reserve increased. This great panic of 1857 far exceeding in intensity that of 1847, added another proof that in a great panic the restrictive practice will bring only universal failure, and that the expansive practice is the only one which can defend the Banking System.

1893 BANK SMASH.

In the Australian bank bursting panic of 1893 through the action of the banks contracting the medium of exchange by millions, many producers and traders were driven to insolvency. The classes of property which possess intrinsic value, the homes which furnish shelter, the farms which produce food and clothing, the manufacturing plants and warehouse and buildings necessary for trade and commerce, yet these classes of property had practically no market value during the panic. Those who invested in equities were ruined. Labour, the basis of all wealth, was in a state of starvation. More than a quarter of a million able-bodied workers were in the ranks of the unemployed. Boodliers said the cause was over-production; more like under-consumption. There was no time during the panic in which all the homes of the Commonwealth would not have been in demand for occupation, and the products of the farms and factories for consumption if all the workers possessed the means of purchasing them. These unemployed had the capacity to consume all their labour would produce, had they been working, and thus the normal equilibrium between supply and demand would be maintained. The cause of the panic was the extinction of millions off the medium of exchange, resulting from unduly restricting the function of supplying credits. There are no classes of the people so deeply interested in the successful operations of the Commonwealth Bank and its capacity or perpetually exercising the banking function as the debitors and workers.

PERMANENT WEALTH.

Permanent wealth is produced by the slow process of industry, combined with skill and the manipulation of capital. Fog wealth is produced by the rapid process of placing one piece of paper in the possession of a bank as a collateral security for two pieces of paper. Some of the enormous quantity of fog wealth which is being created will sooner or later collapse. But with the Commonwealth Bank capable of sustaining legitimate credits there can come no panic which will again destroy the market value of intrinsic values, ruin debitors, deprive workers of work, and produce general distress.

Oh! would that I possessed the power to arouse the Australian people to the imperative importance of revitalising the Commonwealth Bank. In financial crises they have suffered, but their minds seemed to be possessed with the fatalism of the Turks — it is the will of Allah. But I say it is not the will of God which produces panics, but a want of an intelligent Banking System.

In 1825 a parliamentary Commission proved the fact that in the panic of 1793 upward of 100 English banks had failed. In 7 years — 1810 to 1817 — 600 banks failed, and in the panic of 1825 up to date of the inquiry, 26 banks failed. The banks which failed paid but a small percentage of their indebtedness.

In the great panic of 1837-8, more than 1,000 banks, practically all the banks in America, failed. In 1856, nearly every bank in America put up its shutters, and abandoned business, and but few of them ever

resumed. In 1893, most of the Australian banks got sick, hung out signs "Suspended pending Reconstruction", causing the ruin of thousands of producers and traders.

In times of panics the people distrust the solvency of the private banking corporations.

BANKING FUNDAMENTAL FINANCE.

Banking is the fundamental essence of finance and finance is a governmental function. The banks should be co-workers with the producers and traders.

The Commonwealth Bank should possess the capacity to continue exercising the banking function, and thereby sustaining normal values during the fiercest commercial crisis.

A system possessing potential financial power such a capacity in connection with the talent for production, trade and commerce possessed by the people of Australia and the boundless wealth of its natural resources may make Melbourne instead of London the principal exchange city of the world, and Australia instead of England the creditor nation of the world; without it, never.

The creditor nation fact is not a matter of superior wealth or capital. To-day England is the creditor nation, but it is not claimed that it has the wealth of America. It is a matter of organisation. Let me illustrate. If I possess £100,000 of capital as an individual I can loan only £100,000. But if I organise a bank with my capital, and exercise the banking function of exchanging fructified indebtedness or credits. I may collect interest on many millions, just as our banks with a million of capital, loan five, ten or twenty, and even more millions.

At present England is the banker of the world, and collected tribute from all the nations of the world, in the form of interest, not for the use of money or capital, but for the use of her fructified indebtedness or credits.

Through the fact that the Bank of England is operated as if a government Bank, England collects interests on millions of its own indebtedness to other nations. It is a profitable calling to collect interest on what one owes and it is this which makes England the creditor nation. Australia as it is now can only utilise actual capital, and cannot compete with countries which can loan all they dare to owe. It is not more capital, more wealth or more money which the Commonwealth requires in order to become a great financial centre, but a progressive Commonwealth Bank policy. The capital engaged in banking in America is larger than the capital engaged in banking in Great Britain.

The paid up aggregate capital of all the joint stock banks of England, Scotland and Wales including the Bank of England, was only £70,000,000 while the capital of the National Banks of America at the same date was £130,000,000. The medium of exchange produced by the banks of Great Britain was £775,000,000 while the medium of exchange produced by the American National banks was £530,000,000. On account of the leadership of the Bank of England the banks of Great Britain, with approximately one-half the capital of the American banks produced nearly twice the amount of the medium of exchange.

We have been told by our greatest statesman that the nation commanding the seas will control the trade and commerce of the world, and those who control the trade and commerce will command the wealth of the world, and therefore the world itself. But I believe you can own ships to sail the oceans over and armies to plant the national symbol on the highest peaks of the loftiest mountains and navies to carry the flag to the remotest Island of the Oceans. But you will never command the trade and commerce of the world nor the wealth of the world nor the world itself until you create a National Financial System, which will regulate the Exchanges of the Commonwealth during world's panics, and maintain at all times a fairly low uniform rate of interest.

I would like the wise men who believe that fastening a flag at the stern of ships changes the course of production, trade, and commerce, at what price a banker in Boston, New York, Berlin, Paris, or Hong Kong will purchase Bills of Exchange or Time Drafts on Sydney, Melbourne, Adelaide, Perth, or Burnie, against consignments as long as they believe that by the time these instruments reach these cities, for re-discount. The current rate of interest may be any rate between 5/- and 1/- per day or what the banks like to charge, or they may then refuse to re-discount at any rate because they are frightened, and on what terms could the bankers of those foreign cities reimburse themselves by selling to importers instruments on frightened Banks? I should like to know what they propose to do in the next financial crisis? Perhaps the producers and traders will get the Prime Minister to issue a proclamation to all nations that there is a financial crisis, and that most of the banks are suspended pending reconstruction and the balance are so paralyzed from fear that they will be unable to do business for some time, but he trusts foreign producers and traders will consign their commodities to Australia, and make their Drafts or Bills of Exchange on Japan. The commodities of production, trade, and commerce follow the drafts and bills of exchange, and not flags, and the principal reason for a country to become the market place of the world's trade and commerce is not because any particular flag flies at the stern of many ships, but because every banker, merchant, broker, and seller of exchange in every part of the world knows at all times within one or two per cent. per annum the intrinsic value of a draft or Bill of Exchange for re-discount at its banks.

Production, Trade, and Commerce follows the Boodle. I think I have proved that the periodical financial crises which occur in the Commonwealth are preventable. I claim that the Commonwealth Bank should possess the financial power to maintain legitimate credits during world's panics as to uphold normal valuations of property, and thereby preserve the honest business people, and keep the wheels of industry in motion, and the workers fully employed at living wages. I also claim that such governmental system of banking is necessary to enable the Commonwealth to compete in the world's markets, finance its obligations, liquidate its debts, stop borrowing, increase national production and exportation by lower rates of interest to producers and traders. Besides loss of a life's saving by the insolvency of banks, bankruptcy of solvent debtors, distress of families reduced from affluence to beggary, lack of employment, a bed on the bare ground in summer, and the plank of a police station in winter, soup kitchens and other incidents of the panic are no part of the freedom of the people. Contraction and falling prices oppress the poor, ruin the middle classes, and increase the power and affluence of the wealthy. Those who control large amounts of money are able to take advantage of the distress of others to accumulate vast property for themselves. The power of the sovereign and its possessor is increased, the congestion of wealth in the hands of a few materially favored and the industrial interests of the nation in every way disastrously affected.

Contraction and its sister failure of due expansion are among the most powerful, insidious, and — to the masses of the people — unrecognizable causes of evil that exist in this world of misery and mischief.

The high rate of interest on money determines what percentage of value created by the producers and traders shall be paid to the financiers for the use of their manufactured capital, and the percentage to be retained by the producers and traders for their yearly operations.

It is most important to ascertain what percentage the producers and traders can afford to pay for the use of artificial capital and still have a few shillings left for their own families at the year's end.

A reasonable rate of interest not more than 3% on O/D and 3½% on 5 years mortgages, with right of renewal at 3%, would have a great beneficial effect on production, trade and commerce in Australia.

If interest were reduced by law to 3% useful production would increase by 50%. Wealth instead of accumulating in vaults of the big city monopolies, would be more equitably distributed among the producers and traders.

BIG CITIES.

A large percentage of the labor now employed in building up a few big cities in the Commonwealth would be employed in beautifying the country. Internal improvements would be made to an extent unparalleled in Australia's history. Agriculture, manufactures and the arts would flourish in every section of the Commonwealth. The producers and traders must create a new standard of distribution based on the golden rules.

As wealth gradually concentrates in a few hands owing to high rates of interest, employment grows less and less, more men are thrown out of work, and with no wages are unable to purchase the produce of the farms.

In all ages of the world's history, high rates of interest have enabled the monopolies to gather the accumulations of the many without work. When a few wealthy men control the nation's capital the many producers and traders who have lost their property to them are compelled to borrow credit and rent property at high rent and interest rates. Then every few years there is a general breaking up. Property and products fall in price. No demand. Various financiers declare over-production, over-trading, but never a word about the real cause which is high interest over a few years, which has absorbed all the capital borrowed and land rented.

MONEY POWER.

If a few monopolies owned all the property of Victoria the rest of the people would have to rent from them. Rent based on 6 or 7% per annum would keep 90% of them in perpetual poverty. Money possesses four powers — power to measure value, power to accumulate value by interest, power to represent value, and power to exchange value. The material of money is a legalised agent utilised to express these powers and make them available for the use of production, trade and commerce.

The powers possessed by money are created by legislation. That's why money possesses legal value. Legal value depends on actual value. Money must represent actual value based on property or labor.

Money produces no intrinsic value, but the land does. Agricultural people must battle hard to master their economic troubles. While high rates of interest prevail capital will continue to grab their surplus earnings, and keep the struggling people poor. The rate of interest determines the percentage of products that the producers and traders must pay for the use of capital. The value of money is determined by the interest it will accumulate and the value of property by its rental powers. The market value of property must conform to the legal standard. If the rent of property is insufficient to produce the value of the property in the same time as the money value accumulates with interest, the property will fall in value until the rent and interest are equal. The interest on money governs by percentage the rent of all property. Money is the legal representative of all property and the standard by which its value is ascertained. The interest is of the same value as the money loaned, and the percentage on property must be made conformable. The value of property falls in proportion to the rise of the value of the pound that measures it. Whenever the value of money increases by a rise of interest there is a corresponding reduction in the value of all property. Money gathers for its owners by an accumulative power to secure things already produced and not by a natural power of growth like the germ of grain. Where the accumulating power of interest is greater and quicker than the natural power of production, by toil, this law of interest is a gigantic engine of evil gathering the nation's wealth into the banks of the big city capitalists. The interest rate decides what proportions of the value produced by labor shall be awarded to the money-lenders for the use of capital and the proportion demanded of labor for production. A small amount of capital will liquidate big debts, the same sum may pay off 50 bunches of debts the same day. The interest on capital is a governing power, which compels all to contribute a percentage of the products required to maintain all the non-producers in Australia and many of the world's money kings. A big percentage is taken from the price of all products by the buyers and the same is added to the price of everything produced by toil.

INTEREST POWER.

At	2%	capital	doubles	in	35	years.
,,	3%	,,	,,	,,	24	,,
,,	3½%	,,	,,	,,	21	,,
,,	4%	,,	,,	,,	18	,,
,,	5%	,,	,,	,,	14	,,
,,	6%	,,	,,	,,	12	,,
,,	7%	,,	,,	,,	10	,,
,,	8%	,,	,,	,,	9	,,
,,	9%	,,	,,	,,	8	,,
,,	10%	,,	,,	,,	7	,,

Many people think money is a producer of value. Wrong money possesses no power to produce. The earth produces by the growth of additional crops, but money possesses no natural productive quality. It only gathers the things already produced. When a £10,000 loan is paid at the end of a year, bearing interest at 7%, the £700 interest did not grow on the mortgage. The ordinary people working for a living think they have no interest in banking operations. Their daily wages are paid from bank loans to their employers. Cash plays a very small part in the financial transactions of the Commonwealth. Big business is settled by cheque on demand. When a banker lends a customer £20,000, that loan when utilised, puts more than £20,000 in business circulation, and creates £20,000 of purchasing power and continues operating until liquidated, as circulating medium. No accumulation of property by work can ever equal the accumulation of money at 7% per annum. To show that interest at 7% will accumulate property more rapidly than by toil.

THE ACCUMULATING POWER OF INTEREST.

Say that 2,000 people settle in a new country and form a young colony. The 2,000 people follow various occupations. At the start of the colony all are worth an equal amount of property, so that one shall possess no superiority over another. Each follows a useful calling, without speculation whereby a fortune may be secured without work. No one has any means of support, only actual production, except the legal interest rate of 7% on money loaned or rent at the same rate invested in property — all are diligent, in their several callings, and thus each contributes to the general well-being. Four of them are 21, and only think of getting rich. They are good tradesmen, and each is able to earn 10 shillings a day over expenses. Every six months they loan the money thus saved at 7% interest, the interest payable half-yearly, and re-loaned. Their minds are set on wealth, and do not burden themselves with a wife, house or family. These men save 10/- a day, three hundred days in each year, during 40 years. Each saves £150 a year for 40 years, or for the whole period £6,000 together £24,000; at 7% paid and re-loaned half-yearly accumulates a sum equal to the principal in ten years. In 40 years the 4 saved £24,000 by labor, in the next 20 years at 7% the £24,000 accumulated to £100,000, making £76,000 clear with interest in 20 years, and only £24,000 in 20 years by toil of 4 men. Every shilling of the £76,000 had to be earned by the labour of the rest of the population. These 4 men at 82 die and leave the settlement mortgaged to their heirs.

That shows the rate of accumulation at 7%. If that rate was 3½% the amount of accumulation would have only been £38,000.

BANKING POWER.

We will examine the world's banking system of loans and deposits. Suppose Horsham never had a bank, and I opened one with a £1,000,000 cash and within a few days I have loaned £1,000,000 on double security at 7% 3-6 months maturity, and before the Bank closes next day the £1,000,000 is re-deposited by transferred demand cheques. So I have only loaned by cash capital of a £1,000,000. The Bank customers call it their money. The bank then has a £1,000,000 of deposits liabilities due to the depositors and assets of a £1,000,000 deposited cash and £2,000,000 lodged securities. The cash is the assets of the depositors. The lodged security is the property of the bank. Legally the £2,000,000 belongs to the Bank. So we march on and another £1,000,000 is loaned and in a few hours is all back on deposit in my bank. Then the Bank's liabilities are £2,000,000 and the assets £2,000,000 double security. Namely £1,000,000 cash and £3,000,000 of lodged covering.

The depositors now think they own £2,000,000 cash at the bank. This £2,000,000 is circulated by cheque just as if it was real money. Now as a banker I must furnish what I do not possess. Well by good luck, good management and chance to secure that cash when wanted legally. The £2,000,000 cash and all the assets belong to the bank. The depositors £2,000,000 cash in the bank is a legal fiction. It is not there in trust, all they possess is the right to demand cash. So week after week the £1,000,000 is loaned and re-loaned until £20,000,000 of debts is due to the Bank, all resting on the original £1,000,000 cash, and the securities lodged by the borrowers, chequeing money, or deposits are created out of securities lodged with the Bank with the help of the borrowers and bankers of course, the bank will possess investments in bonds, inscribed stock, Treasury issues, farm mortgages and industrial shares. The Bank is now earning on the £20,000,000 loaned at 7% £1,400,000 per annum, and this wonderful financial transformation has been done on £1,000,000 cash, lodged securities, increased loans and deposits.

The Commonwealth national income yearly is the total of the wages, salary or income that all the people produce. When a man secures a loan of £20,000 that creates £20,000 of purchasing power, and continues circulating until cancelled by redemption.

From 9th May, 1901 to the 5th October, 1911 — 10 years and 5 months, I fought single-handed to create the Commonwealth Bank. During all that time, not one Member of Parliament, Labor, Liberal or Conservative, could be persuaded to second the resolution for its creation, and the only way I succeeded in getting my prepared Commonwealth Bank scheme before the House was on the advise of the late Hon. Alfred Deakin, then Prime Minister and prince of orators. I moved that it be printed as a public document, and he accepted it. That's how the Commonwealth Bank scheme got before Parliament.

BRISBANE CONFERENCE, 1908.

In 1908 at Labor's greatest conference, Brisbane, I got the scheme on the fighting platform, and a Life Insurance Co. on the general platform. In 1904 the Watson Labor Government opposed the Commonwealth Bank scheme in its policy. In 1908 the first Fisher Government then founded immediately after the Brisbane Labor Conference, would have no bank in its policy. In 1910 the 2nd Fisher Government in which I was Minister of Home Affairs, refused to put the banking scheme in its policy.

FORCED COMMONWEALTH BANK POLICY, 1911.

Referring to the efforts of King O'Malley to establish a national bank immediately after the formation of the Labor Government in 1910, a bankers' conference was held in Melbourne, which was attended by the

then Prime Minister and Attorney-General, Messrs. Fisher and Hughes. Neither possessed any technical, financial banking knowledge, and were easily convinced that there was no profit in banking. So the Treasurer informed us that the note issue would be withdrawn from the trading banks and placed in the Commonwealth Treasury. As the note issue is the fundamental capital of a national bank, this meant the death of the bank.

In accordance with this program, the Fisher Government in July, 1910, placed the note issue in the Treasury. Leaders of the Government dropped the bank from their policy.

As the leaders of the Labor Government opposed the establishment of a national bank, King O'Malley began to organise the rank and file of the Party to force the Leaders to act in the matter. If King O'Malley had not been a Minister, it would have been impossible for him to organise successfully the rank and file of the Party for the bank.

TORPEDO BRIGADE.

It was at this stage that the "Torpedo-Brigade" came into being. The purpose of this group was to force the Labor Government to establish a Commonwealth Bank. As leaders of the Government threatened to force King O'Malley out of the Ministry if he persisted in his advocacy of the Bank, the founder of the Commonwealth Bank was compelled to work in secret. It was necessary, therefore, to give this secret organisation a name that would give no hint of its purpose, hence the designation "Torpedo-Brigade". Members of the Torpedo-Brigade did not intend to "blow up" the Labor Government as some politicians believed.

They were interested solely in forcing the Government to bring down a Bill for a bank. King O'Malley was the moving spirit of this group, but he was actively supported by Dr. William Maloney, Chairman of the Torpedo Brigade. After 15 months of secret organising among the Labor Caucus, itself a secret group, enough members of the Labor Party had promised support to make it reasonably safe to bring up the question of a bank in Caucus. Members of the Torpedo Brigade decided that at the meeting of the Caucus on October 5th, 1911, whoever was called upon by the Prime Minister for new business would move the adoption of a bank bill by the Government. The honor fell on Hon. J. M. Chanter, and Dr. Maloney seconded the motion. After a vigorous fight advocates of the bank defeated the leaders of the Government and forced them to bring down a bill for the bank. A few favoured the establishment of a Commonwealth Bank because of the facilities it would give for taking over the State debts. Since federation the question of the Commonwealth Government taking over State debts had been under consideration. All agreed that some time the Commonwealth Government would take over State debts, but the particular time was undecided. Some people felt that a Commonwealth Bank would facilitate the transference of State debts to the Commonwealth, and thereby hasten the transaction. It was not until 1928 however, through the efforts of Dr. Earl Page, Commonwealth Treasurer, at the time that the Commonwealth actually assumed the burden of the State Debts. The following men in the Labor Party supported King O'Malley in the Caucus — W. G. Higgs, J. K. McDougall, G. Can, Tom Brown, Dr. W. Maloney, J. M. Chanter, W. F. Finlayson, J. M. Fowler, Frank Brennan, J. Matthews, F. J. Foster, J. A. Jensen, A. T.

Ozanne, W. Webster, E. Riley, Parker Maloney, J. H. Scullin, W. G. Spence, F. W. Bamford, Frank Anstey, J. E. Fenton, L. Smith, Hugh De Largie, Arthur Rae, R. K. Ready, Allen McDougall, D. J. O'Keefe and Steven Barker. Among the opposition a few favoured setting up a Commonwealth Bank. Agar Wynne, Sydney Sampson, John Livingston, Hon. Sir Josiah Symon. The opposition in general strongly opposed a Government Bank. One fact of the campaign for a Commonwealth Bank merits attention. If King O'Malley had continued publicly advocating a national bank, banks would have naturally prepared to block the proposal from going into effect. As it was however, bankers, after the conference with Government leaders in 1910, thought the matter settled. The prolonged silence of King O'Malley seemed to confirm this view, consequently when Caucus on October 5th, 1911 voted for the Bank, leaders of private banks were caught unprepared. It is very doubtful if King O'Malley would have succeeded if he had not been silent.

From Dr. L. C. Jauncey's (Harvard University) Australia's Government Bank Book, quoted in the House of Representatives on October 19, 1927, by Sir Earl Page, the Commonwealth's greatest constructive Treasurer.

SEPARATING THE GENERAL FROM THE SAVINGS BANK.

In 1927 the Bruce Government on the advice of Sir Ernest Harvey, Bank of England, separated the general bank from the savings bank. In September, 1927, Dr. Earl Page, Commonwealth Treasurer, introduced a Bill in the Commonwealth Parliament to separate the savings bank business from the Commonwealth general bank."

In 1927 Mr. Bruce's Government became desirous of completing the work begun by the Act 1924 and it was announced that Sir Ernest Harvey, Controller of the Bank of England, has been invited to Australia to advise on the subject. Mr. Bruce at the same time reiterating the oft-expressed wish of his Government that Australia should have a fully operative Central Bank. But the proposal raised considerable criticism in Labor quarters. Mr. Theodore, the Labor leader, said: "If the institution became a mere reserve bank it would be a useful convenience to the private banks and would cease to be a competitor. Indeed, the change would enormously strengthen the political and strategic power of the Associated Banks but it would lessen the independence of the Government in monetary matters." Sir Ernest Harvey's most important desideratum of the ideal Central Bank that "it should not ordinarily compete with the trading banks for general banking business" was unacceptable to the Australian Labor Party and his other suggestions, that the Commonwealth Bank should not engage in a general exchange business on its own account, for the purpose of earning profits was equally irreconcilable with the Labor view of the Bank's functions. The relevance of the results of the recent election will now be apparent.

If the Bruce Government had been returned it would have had to face the problem of "decommercialising" the Commonwealth Bank or erecting a separate Reserve Bank. But now that the Government has been unseated, it is clear that the whole Central Bank project may be shelved indefinitely, and the Commonwealth Bank confirmed in its position as a competitive institution. This, in most unbiassed minds, would be regarded as a retrograde step. The reversal of a policy hesitatingly but consistently

pursued during the last five years would be regrettable from the point of view not only of Australia but of other countries struggling with the same problems in a similar environment, and it is to be hoped therefore that the new Government will consider well the implications of its banking proposals before casting to the winds the fruits of Australia's recent and valuable experience.

MONEY SHOULD NOT BE A PROMISE TO PAY.

Money should not be a promise to pay, but to receive. The most vital point of monetary science is the operation of the credit money volume. Through these prices may be controlled a rise or fall produced or a rise or fall from other reasons prevented. Power to control the credit and money volume is power to do justice or injustice between debitor and creditor, worker and employer, purchaser and seller, tenant and landlord, power to increase the weight and value of every debt, private or public, power to produce prosperity or depressions, power to regulate industry and determine the distributions of wealth. Such power is an attribute to Sovereignty and should only be exercised by the Sovereign people. The credit and money volume should no longer be operated by blind chance and private financial manipulation but under control of the Commonwealth Bank in the interest of the public.

The moment people desert simple barter, the power to inflate begins. This power must always reside in civilised states which have ceased to use barter. The big question is where shall it be trusted now this power rests in the hands of untrained bank directors. Ricardo and all great economic writers admit that those who increase and diminish at their will, the currency, not alone note currency, but discount O/D. Cheques, credits and coins possess the power to change prices at their pleasure. Today private bank directors have this power. Mr. Bruce thinks in ordinary matters the people can look after themselves, but on questions of finance they must be kept under perpetual guardianship and be the wards of rich Englishmen as in his opinion they are only babies.

Where industry creates and justice protects, prosperity dwells. A high interest rate mortgage casts a dark cloud on the sunniest paddock. There is no business under the sun that can pay 7% and prosper. Interest eats day and night and the more it eats the hungrier it grows. The farmer paying 7% on a mortgage debt lying awake at night can, if he listens, hear it gnaw. If he is free he can hear the crops grow. Free yourselves from debt as soon as possible, you have helped to keep idle avarice and lazy economy long enough.

The Victorian Labor Party should follow the example of the progressive party in Tasmania and do away with pre-selections and let all candidates go to the poll. Thus they would secure scores of University Graduates and the best trained brains in the country. Big talkers are never deep thinkers or big "doers".

The Tobacco Trust profits for the year were £911,479 — of this amount the retailer does not receive 4 per cent. The Sugar Trust profit in that time was £1,222,250.

THE COMMONWEALTH BANK.

After the Commonwealth Bank Savings Bank started operations on 15th July, 1912, first Savings Bank accounts were:

(1) Andrew, Fisher, Prime Minister;
(2) C. W. Wren, Victorian Chairman, Associated Banks;
(3) King O'Malley, M.P.; Minister of State for Home Affairs.

When I asked Sir Dennison Miller why the General Commonwealth Bank hadn't been opened he said, "No Capital!" I went to Tasmania, talked to the Premier, brother Solomon (Liberal) and urged him to give the Commonwealth Bank the Tasmanian Savings Bank Deposits (£1,250,000). He consulted the Treasurer, brother Payne—later Commonwealth Senator, Sir Dennison Miller got the Bank and on January 20th, 1913, the Commonwealth Bank General Bank opened. Little "Tassy's" Savings Bank did the job. What a mighty financial river has sprung from a little mountain spring. A Tasmanian M.P., King O'Malley, created the Commonwealth Bank. "Tassy's" money started it. Although past my "eightieth" year, I shall be a candidate for Corio next Election and I promise that before the Campaign ends the Treasurer will learn more about the financial power of the Commonwealth Bank to finance this debitor nation than he ever did while in London from "old man Montague". I believe God has kept me alive and healthy to save the Commonwealth Bank. The Parliamentary House of Representatives opposition has become so timid through association with these self-made Nabobs that it reminds me of a Rocky Mountain bear who hibernates all the Winter.

On the 5th October, 1911, after a mighty Caucus Battle, we defeated the Conservative section of the Labor Party headed by Fisher, Hughes and all the Ministry except myself by one vote. Then all the Ministers had to carry out the caucus orders and create the Commonwealth Bank or leave the Party. On the creation of the Commonwealth Bank the Prime Minister tried to secure a Governor in Melbourne but no banker would bite. I tried a few of these egotists and was urged to secure a public servant from the Treasury, as it was stated that the Bank would only be a branch of the Public Service. Now after 27 years of the Commonwealth Bank's operations under guidance of highly trained Bankers, the Commonwealth Government, in obedience to the wishes of the Creditor Nations' Banking Monopoly, has appointed a Public Treasury Servant Governor of the Commonwealth Bank, who is as free from banking training, banking knowledge and banking experience as the Government is from ideas. That which the Trading Bankers wanted us to do 27 years ago the Government of today has done for them and the Commonwealth Bank is now merely a receiving agency. No doubt the Government will have a sign hung on the Commonwealth Bank to that effect shortly.

Surely the Government must know that the Commonwealth Bank should be operated by the ablest Bankers in its service. As Governor, how can a public servant tell his banking staff what to do in banking operations? A public servant can no more speak for bankers than a bank clerk can speak for lawyers or a journalist can speak for doctors. Think of all the great Bankers on the Commonwealth Bank staff, trained to finance a debitor nation, passed over. The late Sir Dennison Miller, our greatest Banker, told me that brother Armitage, now Deputy Governor

of the Commonwealth Bank was the greatest banker in the Commonwealth and his right hand bower. Why was he turned down? Oh, Why? Ask old man Montague why do all our political financial Liliputians toady to the banking monopoly bosses of the creditor nations, whose only object is to collect their interest and dividends? If the Commonwealth or the Argentine wanted £20,000,000 next week, the Agentine £20,000,000 would be quickly taken by these bankers while the Commonwealth could wait. Money knows no country or flag—only security. If the Government, before creamation in 18 months, sells transfers or delivers the Commonwealth Bank to Debenture buyers, the next Government will smash all laws created and return the Commonwealth Bank to the people. If the Debenture buyers appeal to the High Court and win, the Court must be democratised by a few more modern judges and the decision will be reversed. A Bank Bill will repeal Bruce's Act, dividing the Commonwealth Bank into general and savings banks, abolishing the present "Boloney" Bank Board, as it is frequently described, and replacing it with six bankers of the Commonwealth Bank Staff with the Under Treasurer representing the Governmentand Professor Melvill as banking economist. The new Bank Board shall have no connection with any business, but the Commonwealth Bank, nor the Directors of any private trustee companies (similar to the position of two of its present members), and shall encourage the Commonwealth Bank to finance small producers and traders. It must do business with all who possess security, irrespective of what bank the applicant does business with. The people own the Commonwealth Bank and should not be prevented from doing business with their own Bank by an outside Board. The Act will transfer from the Government to the Commonwealth Bank Board the power to select the Governor and Deputy Governor, thus doing away with rotten politics in the Commonwealth Bank life. Only a banker of the staff can be appointed. Branches will be opened throughout the Commonwealth and business done with its Shareholders. The Commonwealth Bank will operate trusts for charitable and public purposes (Clause 62a). The bank shall have power to accept any trust for charitable or public purposes only and to perform and discharge all the accounts and duties of a trustee for charitable or public purposes only as fully and effectively as a private individual may when appointed such a trustee. Why should the financiers of a debitor Dominion like the Commonwealth be guided by the advice of the banking monopolies of creditor nations. Lambs in the care of wolves, sucking calves in the care of lions. What a comparison — like a singed rat to a Bengal tiger. Hon. Mitchell Hepburn, Premier of Ontario, Canada, a debitor Dominion, came here to study how the Commonwealth Bank financed this debitor Dominion (Canada and the Commonwealth are Debitor Nations).

Brother Hepburn came not to learn from our political financiers, but to examine the operations of the Commonwealth Bank. Yet the institution that attracted him would not now be in existence if these creatures could strangle it. I fought ten years and six months single handed to create the Commonwealth Bank. Not one Member, Labor, Liberal nor Conservative would second the Creation Resolution on all the Budgets of ten years. Men moving on big ideas like a Commonwealth Bank could not have waited from May 9th, 1901 (the opening of Commonwealth Parliament) to October 5th, 1911, without speaking on its prospective merits. I will pay £10,000 to any charity you may name if Hansard shows one speech made in favor of the creation of the Commonwealth Bank by any of my Ministerial colleagues, Fisher, Hughes, Pearce, Thomas and the rest between 9th May, 1901 and October 5th, 1911 — Caucus Battle Day. If the Commonwealth Bank had been a failure the "Damned Yankie", as they called me, would have got all the blame. The late Hon. Agar Wynn decided to put £50,000 in Trust and allow it to accumulate for twenty-one years (when it would amount to about £125,000) for University Scholarships (half for boys and half for girls). He phoned one of the "Baloney" Directors of the Commonwealth Bank who assured him the Commonwealth Bank would not operate the Trust, though for public purposes, he objected to private Trustee Companies making dividends for shareholders by operating charitable funds and the fund was not established.

In order to convince the owners of the Commonwealth Bank how the people will benefit by turning the Commonwealth Bank into a Bank of Bankers, will the Board publish how much of the £763,000 profit made by the Commonwealth Bank in the last six months of 1938 came from business done with the Trading Banks. I venture to state not 5 per cent. The Trading Banks' business to the Commonwealth Bank is not worth thinking over. Where there is any possible profit the Banks hold on for the shareholders. How can the Commonwealth Bank advance the people's interest when the "Boloney" Bank Board will not allow it to accept any customers doing business with the Trading Banks, no matter how tangible the security may be?

Monpoly is just as much a tax on the people as are the Government taxes. If high taxes have checked business, so have high monopoly prices.

While travelling in another country I met with bankers on their way to a Bankers' Conference. While they knew little about Australia, they knew much about the Commonwealth Bank and asked many questions about the Commonwealth Bank's creation and how many Labor men attended the Caucus. I told them 71. One Banker said what were the Australian Bankers thinking about when 71 thousand dollars would have killed the Commonwealth Bank. I assured him 71 million dollars on that day could not stop the creation of the Commonwealth Bank.

The Commonwealth Board should be composed of Bankers from the staff of the Bank itself, trained in the complex operation of scientific banking. There is not one trained banker on the present "Bolony" Bank Board, most of whose members were unsympathetic with its creation.

A Board of Commonwealth Bank bankers would finally organise and base the Commonwealth credit on the financial operations of the producing, trading and consuming interests of the Commonwealth. The Commonwealth Bank would furnish the need for more modern banking methods by a general regulation of the movement of the credit and money volume.

Such provisions will mean, in effect, that for the future there cannot be a credit famine or financial crisis again so long as people have good exchangeable securities. If the demand for nationally-guaranteed credits

becomes acute the Commonwealth Bank would meet it by exercising its reserved financial powers. The Commonwealth Bank must be made the custodian of all Trustee reserves. It could meet emergencies by rediscounting for Trading Banks and private corporations and the amount of such re-discounts would be placed to their credit in the deposit account. When I created the Commonwealth Bank, its essential function was to watch and encourage the agricultural, industrial, pastoral, mineral and commercial development of the Commonwealth by constantly supplying fortified credits for legitimate uses. The Commonwealth Bank must possess legal power to regulate the rate of interest on all loans and discounts. The Commonwealth Bank must have exclusive financial power to expand financial operations.

One of the chief obligations of the Commonwealth Bank Governor should be to study the financial condition of foreign markets, watch the ebb and flow of fortified credits between the cities and the country requirements and, if necessary, face the demand of credits and thus the Commonwealth Bank could keep the Commonwealth from financial and commercial troubles.

COMMONWEALTH BANK MUST OPERATE CHARITABLE TRUSTS.

While the late Sir Ernest Riddle was Governor of the Commonwealth Bank, I wrote to him offering to put £30,000 in a Trust for charitable and public purposes, to accumulate for 21 years and £20,000 more just before starting on my immortal flight. 80 per cent. of the accumulations was to be in annual prizes of £5/5/- each for girls under 25 years who proved themselves the best all-round home-makers, young women who could make a home so charming and attractive that it would be hard to leave. The world's great women are the good housewives — the home providers. The difference between civilisation and savagery is the civilised wife prepares breakfast the night before while the savage wife next morning hunts for a lizard or snake, and if she misses—no breakfast! The "Boloney" Bank Board turned my proposals down and if I pass on before the next election, my estate will pass over to the New Zealand Government, where there is a Public Trustee. Waste no time and stamps telling how I can spend my "bit" — my mind on this question is settled.

Experience is the only school in the world where the students have no vacations.

BRUCE AND THE BANK.

Had the Bruce Government won the Election 1929 according to the "Economist", of England, October 26th, 1929, the Commonwealth Bank would have been decommercialised and all the customers of the Commonwealth Bank would have had to transfer to the Trading Banks on their terms at a rate of at least £20 a thousand more interest per annum.

The Commonwealth Bank would have been reduced to a "one-floor" financial skeleton to supply the peoples savings to the Trading Banks' great Bank of Bankers. Only financial mental "crack-pots" talk of making the Commonwealth Bank a bank of bankers. What kind of business could a bank of bankers find to do in the Commonwealth where there are no acceptance houses, no bill markets, no re-discounting establishments and no living active operating bank finance. Our political nincoompoops should be mentally examined. What a great favour the Governments think they are doing for the farmers in paying a few pounds of their debts. If laws had been passed making it a crime to charge over 4 per cent. per annum instead of the high rates, the farmers would not owe a penny. Read the wills in the daily papers to see how little the average farmer leaves after years of hard work with the assistance of his family — £2,000 to £5,000 — while the city "interest gatherer" leaves behind him £50,000 or £100,000.

AGRICULTURAL, PASTORAL AND MINERAL INDUSTRIES.

The big question to the agricultural, pastoral, mineral, industrial and commercial operators of Australia is: Can the Commonwealth voters elect any men courageous, capable and financially trained to put elect any men courageous and capable and financially trained to put the Commonwealth Bank by law where it can do the people's economic job — producing benefits visible and tangible and to facilitate the nation's financial progress?

When the Commonwealth Bank is allowed, after the next election, to do business with its shareholders, the people:

(1) The Commonwealth Bank must enable the small producers and traders to borrow at low rates of interest on good security.

(2) It will enable the small producers and traders to rely with assurance on a rate interest uniformly about 4%.

(3) The Commonwealth Bank must always protect the small producers and traders against the sudden demand for the reduction of overdrafts by private banking combinations at the very time when they need it most, subjecting them to the inconveniences and worries of financial crises conditions.

(4) It must enable the Commonwealth manufacturers to purchase raw material, convert it into finished products, and transport those goods to foreign markets on terms as favourable in respect to credit as those obtained by their foreign competitors.

BANK OF FRANCE'S LOW INTEREST.

It will prove both instructive and interesting to review the history of the rate of interest of the Bank of France during recent years as an emphatic illustration of the ideal towards which the Commonwealth Bank should be compelled to operate.

At the Bank of France the rate of interest fixed on 19th May, 1892 was 2½% for commercial discounts and remained unchanged for nearly three years. It was then reduced on 14th March, 1895 to 2%. The rate of interest during the South African War rose as high as 4½% for brief intervals but on 25th May, 1900, the rate of interest was fixed at 3% and remained unchanged for 7 years until the approach of the 1907 American Financial Crisis led to some gradual advances to 4%.

The Commonwealth Bank has kept 4¼% as its rate for years and when it is managed by a Staff Bank Board it will be less. The Commonwealth Bank will be able to prevent financial slumps owing to its operation of the note issue. The Commonwealth Bank will enable the borrowers to demand more fortified credits at a yearly rate of low interest. It will prevent paralysing financial crises which only bring ruin and starvation to thousands. Commonwealth producers and traders will be relieved from many of the impediments which they suffer through the want of a Government Banking System.

If they create better economical methods of production, more efficient machinery, more modern transportation methods and a well-organised system of distribution these advantages would no longer be neutralised by the defects of high rates of interest. The Commonwealth Bank will substitute Production, Trade and Commerce Banking for Stock-Gambling Banking. In all foreign nations, changes in the discount rate of interest are determined by the demand for legitimate business credits. In Australia, on the contrary, it is the demand for money for speculation enterprises which determines the rate of interest to borrowers. It is the London rate of interest for call loans which is the governing factor in the Australian rate of interest and which settles whether the demand be granted or refused. This harmful system of finance must be abolished by the Commonwealth Bank, principally by the exclusion of Gambling Loans from business and partly by giving greater negotiability to Production, Trade and Commerce Security. The Commonwealth Bank must never be a competitor in the loaning market for the encouragement of speculators. Its great financial powers must be confined to the services of Production, Trade and Commerce and the distribution of the wealth of the Commonwealth. In some cities; Bills of Exchange drawn by creditors on debitors, when accepted or endorsed by acceptance houses are quickly saleable to other investors, thus continually keeping the purchasing currency circulating.

When the Commonwealth Bank System is free from the present "Boloney" Board it will adopt a progressive policy of re-discounts and encourage the universal use of Acceptance Bills, regulate the Foreign Exchange Monopoly, and sell Foreign Bills of Exchange, and create a volume of Fortified Exchangeable Organised Commercial Securities which would enable the Australian credit money market to stop being the reflection of the whims and follies of Stock Exchange Gambling all over the world — but instead be the index of the demand for funds by honest producing constructive business interests. The "Bolony" Bank Board is gradually crippling the general Commonwealth Bank. The Commonwealth Bank system must be made a real financial democracy.

The direct function of the Commonwealth Bank should be restricted to assisting in the production, transportation and distribution of commodities of general utility. It will then produce greater stability of financial conditions on the investments of capital in fixed forms. The Bank's funds must be restricted to the Producing, Trading and Consuming Interests of the Commonwealth, which transform raw material into finished products.

The operations of the Commonwealth Bank scheme must extend to the principle of pure democracy from political science to the national financial system. It would no longer be under the baneful influences of the present "Boloney Bank Board". It will be a fighting financial democracy which comes to the Commonwealth Bank through the representative system by which the influence of the humblest citizen in Australia measures up through his power of ownership in the

Commonwealth Bank to the highest aviator of finance. Through the substitution of Production, Trade and Commerce Banking for the present Speculative Banking System the tendency of such a banking system would be to limit the power of the money monopoly.

DEBITOR AND CREDITOR NATIONS.

Unless there are more debitor nations than creditor nations to whom will the creditor nations lend the stacked-up capital, gathered from the sweat of the world's producers and small traders. Britain, America, France and Holland are the great creditor nations. All these nations want to keep Australia a debitor nation but not so high as to endanger their securities nor reduce the value of the British mortgage on the Commonwealth people of over £500,000,000.

"OLD MAN MONTAGUE."

Why do all those Boloney Bankers keep in touch with "old man Montague", and if he smiles on any of them they return to Australia, self-made bankers with swelled heads. They are not aware that Australia's Trading Banking System was founded on agricultural technique — the bullock dray and the stage coach — and is still operated on these ancient lines. Since the coming of the Commonwealth Bank they became slightly more modernised.

THE COMMONWEALTH BANK SEES AUSTRALIA THROUGH THE GREAT WAR.

When Britain entered the War in 1914, there was a run on the banks but next day Sir Dennison Miller announced that the Commonwealth Bank would stand behind the Trading Banks — no more runs!

If I had failed to create the Commonwealth Bank, where could the people have found a bank to finance the War from 1914 to 1919? The Commonwealth Bank floated £350,000,000 to finance the War at ¼ of 1%. Without the Commonwealth Bank Flotation the interest rate would have been 3% and the extra cost in the interest bill £10,000,000. The World War sent 65,000,000 men into mobilization. It resulted in the killing of 8,543,000 soldiers. It piled up total casualities of 37,500,000. It toppled thrones and remade the map of the globe. It filled many countries with widows and orphans and cripples. It laid waste proud cities and sweet hamlets. It cost directly, so the experts say, in the neighborhood of three hundred billion dollars.

Surely our great soldiers will not allow the Government to transfer the People's Bank to private monopolies.

The Commonweatlh Bank protected the Commonwealth Producers from financial ruin by financing all the war time pools, wheat, wool, meat, butter and others. It paid Hughes' Ships (costing £8,000,000), met the soldiers in the battle-fields of the war and helped them in every way.

Since the War closed the Commonwealth Bank has provided £1,500,000 for fruit pools, £4,000,000 for building homes, £9,000,000 for municipal government bodies, £3,000,000 to consolidated revenue and £4,500,000 to the redemption of debts. Sir Dennison Miller provided over £400,000,000 during war troubles and often said he could do the same for production, trade and commerce.

WORLD DEPRESSION.

Since the foundation of the Commonwealth Bank it has made £32,000,000 net profit. Had the Commonwealth Bank not made this sum it would have had to borrow it from the Capitalistic Combine at 5%.

In 1920 a conference of World's Banking Monopolies, among them being "Old Man Montague," met in Brussels. Later in the same year the Banking Monopolies started their policy of restricted credits or deflation in order to raise the value of currency of all kinds high enough to give their monopoly control of it, and thus enable them to secure the real wealth of the nations for themselves. In the winter of 1920-21 the price levels were falling alarmingly.

Price levels are governed by bank policy and not by the so-called law of supply and demand, for the simple reason that both demand and supply are themselves controlled by financial considerations. The Australian Trading Banks commenced to follow the example set by the banks abroad, but Sir Denison Miller brought the Commonwealth Bank quickly to the rescue of the threatened people. Partly by purchasing Commonwealth and other Government Securities and partly by increasing advances, he released between June and December, 1920, £23,000,000 of additional currency as a slight hint as to what he would do if necessary and deflation was deferred. In other words, the Commonwealth Bank prevented a depression in 1920 and gave the clearest proof that Australia is not bound to follow the banking policy of creditor nations. There is no doubt that had Sir Denison Miller lived there would have been no depression in 1929 and 1931 either, and it is easy to see why the Trading Banks watched the progress of the Commonwealth Bank with ill-conceived rage and fear.

1938 CONVERSION LOAN.

The Commonwealth Bank is now carrying nearly £12,000,000 of the 1938 Conversion Loan in addition to New Money in 1939. Where would the present Government have found this money without the assistance of the Commonwealth Bank?

A "SAVING" v. A "LIVING" WAGE

As the rise of the human race depends on the workers, I favour a saving instead of a living wage, as the workers are the great purchasing power.

Business can be prosperous only as its employees, who are the living buyers, are themselves prosperous. If business pays good wages it automatically pays itself good dividends; and it pays for more work, as it has peace in industry by paying the wages of contentment. And it positively swells the total credits in the Savings Banks.

In paying a saving wage, business wastes no capital. It is attracting fresh brains in the use of capital. The workers' savings are loaned by the Banks to men of business vision who create great industrial activities. Good wages are not charity, it is putting the workers brains into business. It is recruiting new investing intelligence in the nation's business. How much less social unrest would worry the world if all the workers were made capitalists or small partners in business corporations, paying annual dividends. The saving wage is a mighty social advance and a supreme business investment. The function of fortified credit is to store surplus wealth, as water is stored in reservoirs or electric current in a battery, to be drawn as required. The joint function of money and credit is to ensure a rapid and continuous exchange of wealth, keep it flowing simultaneously in all directions at a uniform pressure, as water in a system of supply pipes. Yet here surplus wealth cannot immediately be either converted or stored under government supervision as collateral for negotiable certificates.

The Commonwealth Bank employs over five thousand people. Surely they possess the same right to earning their living as the employees of the Trading Banks. Rest assured that the "Boloney" Bank Board will walk out on their pink ear after the next election. I am not trying to reason with the three "B's" because reasoning with men who have renounced their reason is like administering medicine to a dead Indian.

Australia possesses no national warehouse but draws from a high wealth main and possesses no reservoirs. After a time of scarcity in some products there comes a season when wealth overflows the bushel basket, the goods car, cellar bin and the shopkeepers' shelves. Then the work of creating wealth is checked, nobody knows what anything is worth and all want to sell before prices fall. Yet this is an opportunity to forestal the future. There are now labour and materials to spare for the work of creating in suitable producing localities great warehouses and reservoirs where surplus wealth may be stored and valued. Australia needs silos for storing surplus grain at low cost for indeterminate periods. Why not construct them? The branch railroads are years behind in upkeep. Idle labour utilised to these ends would be surplus labour stored in the same way as wool in warehouses and grain in silos. As soon as these things are done the sooner the normal flow of commodities would be resumed.

ORIGINAL PROPOSALS IN FIRST FEDERAL PARLIAMENT.

On May 9th, 1901, the First Federal Parliament opened and I gave the Old Age Pensions notice of motion and later moved it — the first ever moved in the Commonwealth Parliament; also the Commonwealth Bank and National Note Issue motion. On July 19th, 1901, I moved in Parliament that the Government must secure not less than 1,000 square miles of land as Federal Territory (the freehold of which shall for ever remain the property of all the people). Hon. Hume Cook, Victoria, seconded it, Hon. W. Wilks, N.S.W., and the Hon. Austin Chapman, N.S.W., spoke for the motion. The Right Hon. Edmond Barton, Prime Minister thanked me for moving so important a resolution at the beginning of the Commonwealth Parliament, which forever stopped all greedy speculation in land made available by the expenditure of money contributed by the taxpayers of Australia. He accepted the motion in a modified form. That's why the people control 593,000 acres at Canberra to-day — land which can never be sold without an Act of Parliament.

No doubt before long some financial and political barbarians in the service will move to sell. When Canberra's population reaches 50,000 the ground rent will be sufficient to pay the annual cost of Parliament without having to call on the Australian taxpayers for a penny. I called

for the designs, laid the city out, purchased most of the property (secured at less than £4 an acre) as Minister of State for Home Affairs Administering the Territory.

RURAL CREDITS

In 1917 I moved the creation of the Rural Credits as a branch of the Commonwealth Bank. (See Hansard, Page 11,096.)

NAMING THE FEDERAL CAPITAL.

Despite continued efforts to claim the honour of opening the Federal Capital, that honour rightly belongs to the Fisher Government. On Wednesday, 12th March, 1913 the members of that Government were: Hon. Andrew Fisher, Prime Minister; Hon. W. M. Hughes, Attorney-General; Hon. Josiah Thomas, Minister of External Affairs; Hon. George Pearce, Minister of Defence; Hon. King O'Malley, Minister of State for Home Affairs; Hon. Edward Findley, Honorary Minister and Colonel David Miller, Administrator of Federal Territory.

The naming of the Federal Capital was performed by Her Excellency Lady Denman, following the laying of the foundation stones. The greatest interest was manifested as Mrs. King O'Malley, wife of the Minister of State for Home Affairs, ascended the dais and handed Lady Denman a gold case containing the official name of the Capital and said:—"Your Excellency, permit me to present to you on behalf of the Commonwealth Government this gold case containing the official name of Australia's Capital, which you will now honor us by christening." With due ceremony and with a clear resonant voice Her Ladyship said: "I officially name the capital Canberra." Loud cheers following the announcement. His Excellency Lord Denman, Australia's Governor-General, then publicly declared Canberra the official Capital.

Fourteen years later the Bruce Government officially opened Parliament (which occurs every year), but owing to timidity, the Labor opposition in the House of Representatives seem really afraid to claim the honor of having officially opened the last Capital of the great Commonwealth Dominion by a Labor Government in 1913. Now we see the continual announcement in the papers that the Bruce Government officially opened Canberra in 1927, without a word of protest from the House of Representatives Dumb-bells. I have great hopes of the three new Senators from Victoria, Brothers Keane, Cameron and Sheehan, born fighters, both in and out. These Australians may save the situation. I trust that good and patriotic Australians will swear by the altars of their gods, the tombs of their ancestors, and the cradles of their children, that they will never vote for Parliamentary candidates men whose secret mission is to destroy the Commonwealth Bank and whose brains if extracted, dried and placed in the quill of a cock-sparrow and blown into the eye of a flea would not even make him wink.

"SCOTS WAH HAE!"

One of Wallace's lineal descendants is the "Roosevelt of Queensland," champion of the struggling masses rights and Premier of the Northern State since 1932 (Hon. Forgan Smith). While conversing with a number of patriotic Australian Irishmen, who appreciated his sterling qualities, one of them said to me that "as a leader to any Party, a Scotchman was worth 30 per cent. more than an Irishman and under the leadership of Forgan Smith a sweeping victory awaits the Party in the next Federal Elections.

CONCLUSION.

In conclusion I want to thank the great Parliamentary Journalists, who helped me with their reports to create a Bank atmosphere and change public opinion to its favour — Brothers B. S. B. Cook, F. J. Whitehead, Rae (editor, Melbourne "Herald"), J. Cockrell, W. J. Buchanan, R. Austin, C. Borland, Keith Murdoch, L. E. Sweet (Melbourne "Age"), C. P. Smith and W. Hurst (Melbourne "Argus"), H. W. Peters and J. Tinning (Sydney "Daily Telegraph"), A. S. Whyte and J. E. Davenport (Sydney "Morning Herald").

I want to congratulate the "New Times", Melbourne, for their noble effort to preserve the Bank and make it what its founders intended it to be.

While Minister of State for Home Affairs the following officials rendered me great service in creating the Commonwealth Bank. Sir George Knibbs, Statistician; H. A. Hunt, Meteorologist; W. D. Bingle, Clerk; Colonel P. T. Owen, Director-General of Works; J. S. Murdoch, Architect; J. T. H. Goodwin, Land and Property Officer; H. L. Walters, Accountant; W. A. Newman, Senior Clerk (afterwards Naru Administrator); R. C. Oldham (Chief Electoral Officer), and W. A. Wadsworth, Librarian; Wickens (Statistician). Brothers Newman and Wadsworth were specialists in hunting up authorities on Banking. To all who helped me create the Commonwealth Bank I am deeply grateful. Many have passed on, but they left behind Australia's most world-renowned institution and were benefactors of humanity.

Stand by the Bank! Australia for the Australians and not for the Capitalistic Monopolists.

NATIONAL SOCIAL SECURITY INSURANCE

Reprinted from "The Age."

History, so it is said, repeats itself. It is apparent that Brothers Menzies and Stewart have parted company over the establishment of a national social security scheme. On the 4th October, 1911, I submitted to my Federal colleagues the draft of a proposed bill to establish a national insurance department. My friends immediately became seized with a mental and spiritual paralysis, and Caucus developed such an attack of political shivers that I was forced to abandon my proposal rather than risk the loss of the Commonwealth Bank proposals which were then being discussed. Some of the Labor men who opposed my scheme have since ended their days in very straitened circumstances, and no doubt regretted too late their ill-advised action. When Minister of State for Home Affairs in the Fisher Ministry I held many consultations with the late Sir George Knibbs, a great scholar and administrator, about my Insurance Bill. We called in leading insurance actuaries and decided that it was most desirable to create a social security scheme based upon compulsory contributions from the wages of the small, from the salary of the big, and from the incomes of the rich, collected in the same way and manner as our present unemployment taxes are collected by Brother Chenoweth, who treats taxpayers impartially. Provision was made for people to contribute above the amount of their legal obligations so as to derive greater benefits upon retiring.

Australia's population to-day of 6,800,000 is increasing at the rate of 80,000 per year. Assuming that it was decided to fix contributions at sixpence per head per week, this would represent a weekly return of £170,000, or £8,840,000 per year. Let us increase the compulsory contribution to 1/- per head per week by proportionate increases in the higher salaries, and we secure an annual income of £17,680,000, with an extra £707,200 for interest thereon at 4 per cent. If we only paid out on unemployment and sickness for the first few years we would then have established such a strong reserve fund that we could start paying pensions at sixty years of age. Reserve and rotary funds would be created to provide for unemployment, sickness and widows and orphans. I figured on a minimum pension of £3 per week upon reaching the age of sixty years with, of course, higher rates in accordance with the compulsory contributions made to the fund. My scheme is the only one that makes it impossible for any human being, after a few years, to be poor.

Out of our present population of 6,800,000 how many are in a position to exist without work? How many thousands of hard workers have no earthly hope of providing anything for old age or education for their family? How many thousand clerks, men and women? How many school teachers, professors of universities, public schools and colleges ever make enough to provide for old age? These people do not belong to the money-making class, yet they are the leaders of our educational and cultural atmosphere. How many rich men to-day will be poor twenty years hence? All would be provided for under my scheme which, at the end of one generation, would banish poverty in Australia and make capital the servant of man and humanity the master — and not the reverse as at present. If the Government to-day were as well organised as I organised my Home Affairs department whilst Minister there would be no difficulty in placing all of those seeking honest labor. Unfortunately twenty-six years ago my Ministerial colleagues lacked vision, and the prophet Isaiah said, "Where there is no vision the people perish." I found them as hopeless on the insurance scheme as on the creation of the Commonwealth Bank. The Scriptures declare that "he who is greatest shall be the servant of all" — so the Commonwealth being the greatest must indeed become our servant and see that there is no such thing as poverty and hunger in the land.—KING O'MALLEY, founder of the Commonwealth Bank.

HON. SIR EARL PAGE & THE C.B.

(Letter to Sir Earle Page by the Hon. King O'Malley — 6/10/27.)

Hon. Dr. Earle Page, M.P. 6/10/27.
Treasurer,
Commonwealth of Australia,
CANBERRA. N.S.W.

My Dear Dr. Earle Page,

I have read with great sorrow the report of your second reading speech of the amending Commonwealth Bank Bill in which you declare for the separation of the Savings Bank from the General Bank, Rural Credits and Note Issue. If the Commonwealth Bank is shorn of the Savings Bank so far as the balance-sheet goes, then its financial greatness in foreign Countries, especially in America where you have opened an Agency, is a thing of the past.

I have noticed criticisms in many American papers and magazines lauding the Commonwealth Bank of Australia as possessing resources expressed in its balance-sheet of 700,000,000 Dollars making it the greatest Bank south of the Equator and ranking in importance next to the National City Bank of New York, the greatest Bank on the American Continent.

It is on the strength of this great Institution with its tremendous wealth, representing Australian financial power, that the American Group Banks, who underwrite loans, pass them off to the general public.

By eliminating the Savings Bank Balance-sheet, the 700,000,000 Dollars will be reduced to about 475,000,000 Dollars or thereabouts as the Commonwealth Banks resources, making the Bank of less importance than several of the Australian Trading Banks.

How will you explain that a Bank which opened its New York branch with its resources standing at 700,000,000 Dollars, has financially degenerated into this comparatively insignificant position? It has already been acclaimed by the American public as a great sound financial organisation. I am afraid that any explanation offered will not be regarded as satisfactory.

Doctor, have the little political Australian antiquarians with financial mosquito minds, lineal descendants of Balaam's Ass, devoid of all the physchological attainments of their illustrous progenitor, forced you, the man from Grafton, possessing the big financial constructive mind, to be the first to destroy Australia's big and world-renowned financial organisation?

Australia at present possesses two world-famed institutions, celebrated throughout the Universe — Madame Melba and the Commonwealth Bank.

Now you are destroying the one, and the dust of ages threatens to overwhelm the other.

With kind regards to Mrs. Page and the five leaflets.

I remain cordially yours,

KING O'MALLEY.

Dear Doctor,

You promised me you would arrange that the Commonwealth Bank *shall* operate monies left for Charitable or public purposes. If you can fix this it will ease my mind before I meet the final dissolution.

K. O'M.

EXAMINE THESE TABLES CAREFULLY

BANK	1933 Nett Profit £	1933 Deposits £	1933 Advances £	1934 Nett Profit £	1934 Deposits £	1934 Advances £
Commonwealth Bank of Australia	395,071	64,085,651	8,706,898	463,766	74,916,100	9,818,823
Bank of Australasia	258,508	37,833,351	31,247,132	265,087	39,601,807	31,045,284
Bank of New South Wales	439,616	86,317,691	65,232,079	439,739	91,840,970	66,932,897
Commercial Bank of Aust. Ltd.	213,634	22,347,234	20,300,762	209,155	24,549,005	21,725,548
Commercial Banking Coy. of Syd. Ltd.	259,077	45,071,545	34,768,798	256,731	48,629,115	35,888,549
National Bank of Aust Ltd.	291,944	33,662,199	29,560,678	274,024	36,212,880	30,671,114

BANK	1935 Nett Profit £	1935 Deposits £	1935 Advances £	1936 Nett Profit £	1936 Deposits £	1936 Advances £
Commonwealth Bank of Australia	424,959	62,355,186	10,195,332	380,889	71,401,800	10,923,031
Bank of Australasia	273,857	37,058,103	32,391,472	300,962	37,165,580	33,300,768
Bank of New South Wales	442,660	90,403,981	75,122,458	470,454	89,145,169	76,592,247
Commercial Bank of Aust. Ltd.	228,458	24,850,534	22,100,325	234,480	25,863,666	22,211,474
Commercial Banking Coy. of Syd. Ltd.	263,937	49,191,296	36,940,268	298,227	49,777,559	37,853,871
National Bank of Aust. Ltd.	275,590	37,771,240	31,182,973	294,404	38,228,621	32,446,662

BANK	1937 Nett Profit £	1937 Deposits £	1937 Advances £	1938 Nett Profit £	1938 Deposits £	1938 Advances £
Commonwealth Bank of Australia	346,215	90,508,890	14,101,609	336,573	87,152,106	1,758,899
Bank of Australasia	309,501	40,775,464	33,460,837			
Bank of New South Wales	543,242	95,876,747	80,577,457	547,835	100,257,842	88,740,010
Commercial Bank of Aust. Ltd.	247,435	29,293,777	22,124,707	262,384	30,052,874	24,684,517
Commercial Banking Coy. of Syd. Ltd.	342,041	53,854,165	37,744,225	365,975	54,659,194	41,795,388
National Bank of Aust. Ltd.	325,627	42,220,269	33,060,786	347,401	43,054,982	34,836,414

An examination of these figures will show that while the trading banks are increasing their profits annually the Commonwealth Bank is either at a standstill or falling back.

The Commonwealth Savings Bank for the half-year December, 1938, earned as net profits £155,342 and the deposits were £145,462,974. The Commonwealth Bank earned £763,600, the net profit being £170,947. The Rural Credits made £141,180 and the Note Issue £423,131.

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