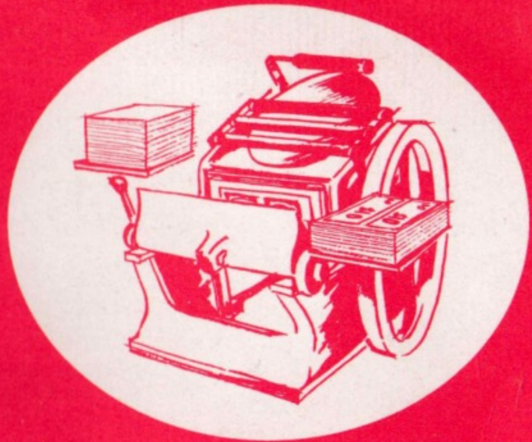

the CREATION and CONTROL of MONEY

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The Creation and Control of Money

FARMERS AND BUSINESSMEN TALK FREQUENTLY ABOUT "MAKING MONEY". But this common statement is most misleading. When a farmer grows a bag of potatoes he does not at the same time create a money equivalent. Farmers and businessmen obtain money from someone else in exchange for what they have grown or produced. It is true that some people attempt to make money in the form of notes, but if caught they finish in prison tor counterfeiting! Who, then, does make a community's money? How is it made and controlled? A modern economy is controlled almost completely by financial policy. There is practically no barter. All exchanges of goods and services take place through money. No understanding of the problems of an economy, including inflation, is possible without an understanding of the creation and control of money.

The essential feature of any form of money is its acceptability. The psychological factor is all-important. **Counterfeited $20 bills act as money just so long as they are accepted by those handling them**. Throughout history many different forms of money have been used by different people— shells, different types of stones, metals made into different types of coins, paper money of numerous sizes and types. But so long as people believe that they can at any time obtain goods and services for any type of money, then they accept it and it acts as money **Money has no value in itself at all.** A million dollars is useless on a desert island. The first essential in examining the money question is to stop regarding it as an end in itself, to realize that money is a man-made system and that the system can be changed by man. To worship a man-made money system is a form of superstition. It is not money which is the root of all evil, as some maintain, but the love of money.

Historical Development

In order to understand the modern money system, an understanding of the history of that system is of great value. Originally the wealth producers

of the world issued their own money tickets—generally leather discs—in the same way that railway organizations issue their own tickets. It might be observed in passing that no railway organization permits a train to run half empty with people requiring seats, because insufficient tickets have been printed! Cattle were at one time, and still are in some primitive societies—regarded as the most important form of wealth. It is interesting to note that the Latin word for money is pecus, and the use of the modern word pecuniary, provides historical proof of the origin of the earlier form of money.

Instead of the cumbersome method of exchanging cattle for supplies from merchants, a major development took place when leather discs, representing the cattle were issued. It is important to note that the owner ot the wealth was issuing the money **representing** his wealth in the same way that a railway makes its own tickets, but not in the same sense that the farmer of today "makes"' money when he says he does. Coming down through history, a new type of money was evolved. Rare metals like gold and silver were regarded as wealth.

Those holding these metals in plate or other forms started to deposit them with the goldsmiths for safe keeping. The goldsmith issued receipts against these deposits. It was not long before the owner of the receipts found it much more convenient to use these receipts to do his business rather than draw his gold or silver out of the goldsmith's safe, pay it to someone else, who would then re-deposit the metals with the goldsmith.

The goldsmith's receipts were a great convenience for all. They were the lineal ancestors of the modern bank note. They acted as money because everyone had faith that those holding the receipts could at any time draw gold or silver to the value of the receipts from the goldsmiths. It is important to grasp that now it was the custodian of wealth who was creating money, not the owner of the wealth, as was originally the case.
The next major development in the evolution of money took place when some goldsmith observed that his clients left their gold and silver with him indefinitely, and that it would be safe for him to issue more receipts than the wealth deposited with him. It was extremely unlikely that all his receipts would be presented at the one time. What started as a dishonest

practice became convention, and the more flexible form of money helped immeasurably with the development of trade and commerce. The goldsmiths were the forerunners of the modem banking system. As will be seen, modem banking is based on the convention that for every dollar of legal tender— money created in the form of notes and coins by Govern' ment authority—possessed by the banks, they can create and issue approximately nine dollars of credit money in exactly the same way that the goldsmiths issued more receipts than wealth deposited.

The modern money system has made the modern complex economy possible, and has been a great boon to man. The fact that it developed by fraudulent practices does not alter this fact. Up until the beginning of the First World War the convention prevailed that bank notes and cheques could be cashed at any bank in exchange for gold sovereigns. There used to be a lot of bank failures when people suddenly decided all at once that they wanted to draw out of the banks the tangible wealth which they had believed was available.

Statements By Banking Authorities

A large number of eminent authorities could be quoted on the subject of the creation of most of a modern community's money supply in the form of financial credit, but the following selection will be sufficient to demonstrate the truth:

As far back as 1882, Professor H. D. McLeod, lecturer on political economy at the University of Cambridge, and the most outstanding authority on banking in Britain at that time, gave his famous lectures on Credit and Banking to the Institute of Bankers of Scotland. The following extracts from the lectures outline the process of credit creation with great clarity:

"The way a Banker trades is this: He sees that £1,000 in cash is sufficient to support £10,000 of liabilities in Credit; consequently he argues that £10,000 in cash will bear liabilities to several times that amount in credit ——Thus we see that the essential and distinctive feature of a Bank and a Banker is to create and issue Credit payable upon demand; and this Credit

is intended to be put into circulation and serve all the purposes of money. **A bank, therefore, is not an office for borrowing and lending money, but it is a manufactory of credit**" (Emphasis added).

In his book Elements of Banking Professor McLeod wrote: “When it is said that a great London Joint Stock bank has perhaps £25,000,000 of deposits, it is almost universally believed that it had £25,000,000 of actual money to ‘lend out’ as it is erroneously called —It is a complete and entire delusion. These ‘deposits’ are not deposits in cash at all—— They are nothing but an enormous superstructure of credit.”

The Rt. Hon. Reginald McKenna, one-time British Chancellor of the Exchequer, and Chairman of the Midland Bank, addressed a meeting of shareholders of the Bank on January 25, 1924, and said, as recorded in his book Post-War Banking:

> “**I am afraid the ordinary citizen will not like to be told that the banks can, and do, create and destroy money. The amount of finance in existence varies only with the action of the banks in increasing or decreasing deposits and bank purchases. We know how this is effected. Every loan, overdraft or bank purchase creates a deposit, and every repayment of a loan, overdraft or bank sale destroys a deposit**.”

Davenport’s Economics of Enterprise states: “Banks do not lend their deposits, but by expansion of credits, create deposits.”

The following is from the MacMillan Commission report on Finance and Industry, presented to the British Parliament in June, 1931:

“It is not unnatural to think of the deposits of a bank as being created by the public, through the deposit of cash representing either savings or amounts which are not for the time being required to meet expenditure. But the bulk of the deposits arise out of the action of the banks themselves, for by granting loans, allowing money to be drawn on an overdraft or purchasing securities a bank creates credit in its books, which is the equivalent of a deposit.

“A simple illustration in which it will be convenient to assume that all banking is concentrated in one bank will make this clear. Let us suppose that a customer has paid into the bank £1,000 in cash and that it is judged from experience that only the equivalent of ten per cent, of the bank deposit need be held actually in cash to meet the demands of the customers; then the £1,000 cash will obviously support deposits amounting to £10.000 Supposing that the bank then grants a loan of £900, it will open a credit of £900 for its customer, and when the customer draws a cheque for £900 upon the credit so opened the cheque will —be paid into the account of another of the bank’s customers.

The bank now holds the original deposit of £1,000 and the £900 paid in by the customer. Deposits are thus increased to £1,900 and the bank holds against its liability to pay out this sum (a) the original £1,000 of cash deposited and (b) the obligation of a customer to repay the loan of £900 ——The bank can carry on the process of lending, or purchasing investments until such time as the credits created, or the investments purchased represent nine times the original amount of the deposit of £1,000 in cash.” Professor A. L. G. Mackay, the well-known Australian economist, has stated in his text book on Economics, that:-

“**In this way, by means of a loan, an advance, an overdraft, or by the cashing of bills, the banks are able to increase the volume of deposits in the community, and because of this process it is not correct to say that a bank loans out deposits which people make with it. It is clear that it creates the deposit by the issue of the loan; the loan travels back to the bank or to another bank and assumes the form of a deposit**.”- (Emphasis supplied.)

Sir R. Kindersley, C.B.E. (Director of Bank of England), in “Harmsworth’s Business Encyclopaedia”:

“Deposits—Deposits of the commercial and private banks amount to about £2,000,000,000, but this large total has not, of course, been created by the deposit of actual cash, but has resulted in great measure from Credit created by the banks by the lending of money. The difference between actual cash in its own till, plus its balance at the Bank of England

(i.e., Bank Reserves ten per cent, to fifteen per cent, of its deposit liabilities), which are Bank Reserves, and the total of the deposits, represents approximately the extent to which the Bank may be said to have manufactured deposits by the Creation and Sale of Credit (Money)." Governor Eccles, one-time head of the Federal Reserve Bank Board of the United States, said:

"The banks can create and destroy money. Bank credit is money. It's the money we do most of our business with, not with that currency which we usually think of as money."

(Given in evidence before a Congressional Committee). Mr. R. G. Hawtrey, previously Assistant Under-Secretary to the British Treasury, in his "Trade Depression and the Way out," says: "When a bank lends it creates money out of nothing."

In his book, The Art of Central Banking, Hawtrey also wrote:-

"When a bank lends, it creates credit. Against the advance which it enters amongst its assets, there is a deposit entered in its liabilities. But other lenders have not this mystical power of creating the means of payment out of nothing. What they lend must be money that they have acquired through their economic activities."

Lord Keynes, the economist, and war-time Governor of the Bank of England, states: "There can be no doubt that all deposits are created by the banks."

Giving evidence before the Canadian Government's Committee on Banking and Commerce before the Second World War, Mr. Graham Towers, Governor of the Central Bank of Canada, frankly admitted the basic functions of the modern banking system. The following are relevant extracts from the Minutes of Proceedings and Evidence Respecting the Bank of Canada, Committee on Banking and Commerce, 1939:

QUESTION: "**But there is no question about it that banks create the medium of exchange**?"

TOWERS: "That is right. That is what they are for .. . That is the Banking business, just in the same way that a steel plant makes steel" (page 287).

"**The manufacturing process consists of making a pen- and-ink or typewriter entry on a card or in a book. That is all**" (pages 76 and 238).

"**Each and every time a bank makes a loan (or purchases securities), new bank credit is created — new deposits — brand new money**" (pages 113 and 238).

"**Broadly speaking, all new money comes out of a Bank in the form of loans**" (page 461).

"**As loans are debts, then under the present system all money is debt**" (page 459).

Mr. Towers continued: "A government can find money in three ways; by taxation, or they might find it by borrowing the savings of the people, or they might find it by action which is allied with an expansive monetary policy, that is borrowing which creates additional money in the process" (page 29).

Questioned on the subject of Government bonds, and whether the purchase by a bank of $1,000,000 worth of bonds resulted in a million dollars of new money or the equivalent being created, Governor Towers said "Yes". The questioner then asked, "It IS a fact that a million dollars of new money is created?", and Mr. Towers replied, "That is right" (page 238).

Because many bank managers deny the mechanics of the system they operate, does not mean that they are dishonest. They simply follow convention without understanding clearly what they are doing.

Giving evidence before the New Zealand Royal Commission on monetary systems in 1955, Mr. H. W. Whyte, Chairman of the Associated Banks of New Zealand, stated in answer to questions that banks create new financial credit when making loans and advances. Mr. Whyte added:

"They have been doing it for a long time, but they didn't quite realize it, and they did not admit it. Very few did. You will find it in all sorts of documents, financial text-books, etc. But in the intervening years, and we must all be perfectly frank about these things, there has been a development of thought, until today I doubt very much whether you would get many prominent bankers to attempt to deny that banks create credit. I have told you that they do; Mr. Ashwin (Secretary to the Treasury) has told you that they do; Mr. Fussell (Governor of the Reserve Bank) has told you that they do."

The creation and loaning of credit by all banks, **except the Central Bank**, is governed by what is described as the "liquidity" of the banking system. This simply means the amount of legal tender being held by the banks. Banking practice is that credit should not be expanded substantially beyond ten times the amount of what is called "cash at call". Now "cash at call" is not only governed by the amount of legal tender manufactured by authority of the Commonwealth Bank; credit created by the Central Bank—central bank credit—is also treated as cash when deposited with the trading banks. The Commonwealth through the Central Bank therefore dictates credit expansion, or restriction, by its policy of creating legal tender and central bank credit. Both private and public borrowing is controlled by the Commonwealth's credit policy.

In order to clarify still further the powers of the Central Government to issue new money in several ways as compared with the limits placed upon State and Local Governments, attention is directed to extracts from Wealth and Income by Professor Brian Tew, Professor of Economics, University of Nottingham, and formerly Professor of Economics, University of Adelaide. Tews' Wealth and Income is a reference text book in economics and commerce at the Melbourne University and makes specific references to the operations of the Australian monetary system.

Tew states that "the central government —-is in the happy position of being able to issue eligible paper, which the central bank is always willing to buy, or alternatively to be able to borrow without limit from the central bank direct. **The central government therefore can always get as much money as it wants by virtue of the privilege accorded to it by the central bank**." (Emphasis supplied.)

The Commonwealth makes considerable use of Treasury Bills, which are I.O.U.'s created against the whole nation's credit, to obtain new financial credit. It is not generally appreciated that many Commonwealth Loans are used, not to finance public works as claimed, but to redeem outstanding Treasury Bills. And comparatively few subscriptions to any public loan are from genuine savings, the bulk of the loans coming from a further expansion of credit. It is not necessary here to outline in detail the mechanics of this, but merely to draw attention to the basic facts.

Although it is a popular fallacy that heavy taxation was imposed during the war primarily to finance the war effort, the facts are, as stated by Professor L. G. Giblin in his history of the Commonwealth Bank from 1924-1945, The Growth of a Central Bank: "The (Commonwealth Bank) Board in 1942 recognized that a great expansion of central. bank credit was necessary to finance the war and this expansion took predominantly the form of discounting Treasury Bills" (p. 309). Heavy taxation was imposed mainly for psychological reasons, as revealed by a former Federal Minister, and as an instrument of financial control to prevent "excess purchasing power" accumulating in the hands of private individuals.

Attention is drawn to this important historical fact because with the enormous expansion of Central Bank credit to finance vast Federal Government's activities during the war, and the continuation of this policy of Federal spending after the war, those economic advisers advocating a greater degree of centralized governmental financial control were able to justify the introduction in 1941 of the Special Accounts system under which a proportion of the trading banks' deposits with the Central Bank are "blocked" or "frozen", and the consolidation of this control in the Chifley Government's 1945 Banking Legislation and the Menzies Government's 1957 Banking Legislation.

It is significant that the Menzies Government's Banking Legislation met with the warm approval of well-known Fabian Socialist economists.

Centralised Control of Credit Policy

The question is often asked: "If financial credit can be created so easily by the banking system, why is not an unlimited amount created?" Reference has already been made to the convention governing the growth of

banking. But a more comprehensive examination of this is necessary to show how convention has been replaced by formal, centralized control through the Central Banking system.

As already explained, the amount of new financial credit which the trading banks can create to loan to individuals, organizations, Local Governments, and semi-Governmental instrumentalities, is governed by their holdings of cash and Central Bank credit. And these holdings are dictated by the policy of the Central Bank and the Federal Treasury in deciding just how much cash and Central bank credit is to be created and how much of the Central Bank credit obtained by the trading banks through deposits is to be “frozen” and how much is to be available for a further expansion of new credit.

Because of the importance of the Central Bank technique of controlling credit policy, the following explanation may be of value to those wishing to understand the mechanics:

During the Second World War, cheques drawn by the Commonwealth Government against its Central Bank account were paid to contractors, suppliers and similar people engaged in doing work for the Government or providing supplies. Those receiving Commonwealth cheques paid them into their own banks who in turn presented them to the Central Bank, which credited the accounts of the trading banks with the value of the cheques presented. The transactions resulted in deposits with the Trading Banks being increased, and “Bankers’ Deposits”, as the Trading Bank deposits with the Central Bank are termed, being increased correspondingly.

As previously mentioned, the Trading Banks regard Central Bank credit deposits with the Central Bank as “cash at call”; that is to say, the Trading Banks can withdraw these deposits in Australian notes in the same way that depositors with the Trading Banks can withdraw their deposits in notes, if they so desire. On the basis of the greatly increased cash base, the Trading Banks could have created new financial credit up to the conventional limit governing credit creation. Under wartime legislation a variable percentage of Bankers’ Deposits with the Central Bank was placed in a Special Account. This percentage was “frozen” and not

available to the Trading banks in cash if they so desired. And because of this they could not use the percentage “frozen” as the basis of credit expansion. Prior to the 1957 Banking Legislation the Central Bank could vary the percentage of Trading Bank deposits to be placed in Special Deposits by regulation. But this legislation substituted a statutory limit of 25 per cent, of such deposits which can be placed in the Statutory Reserve Deposit Account without notice.

Previously the Central Bank could not compel the Trading Banks to place more than 75 per cent, of their deposits in Special Account. But under the 1957 legislation the amount so placed in the Reserve Deposit accounts can be anything up to 100 per cent, of these deposits on 45 days notice to the Trading Banks. The Trading Banks are now also limited in the amount of cash base for credit creation that they can receive in deposit from the Savings Banks. Thus there has been a progressive centralization of control of the creation of credit.

The major feature of present day politics is the ever- increasing activities of the State with the correspondingly greater increase in Government expenditure. This increased expenditure is more and more in the field of immense capital works which call for enormous capital expenditure. To finance these activities the Central Bank provides new credits against Government Securities, and the money eventually finds its way back to the Central Bank as already explained, in the form of Banker’s Deposits. This in turn results in an increased ability by the Trading Banks to create credit to loan to their customers.

It can be readily seen, therefore, that the control by the Central Bank over Bankers’ Deposits is to limit the amount of money the Trading Banks can create and lend to industry and others. If this limitation did not exist, every increase in Government expenditure by way of Central Bank credit would enable the Trading Banks to create and make available a proportionately greater amount of credit. Central Bank control of Bankers’ Deposits with the Reserve Bank ensures that irrespective of how great the increase in these may become as a result of Government expenditure, the situation will not be permitted to result in the Trading Banks being in the position to create and to loan proportionately greater amounts of money

for non-governmental purposes. By this form of control, the Central Bank can always ensure that private enterprise is not in a position to make use of more than a fraction of the money it needs. The result is that by keeping a tight check on the expansion of private enterprise in relationship to expanding Governmental activities, the nation is pushed further along the Socialist road.

One of Karl Marx's ten steps for communising a State, was to centralize control of financial credit. **Marx never once attacked credit policy.**

Debt And Inflation Foster Centralization

In Australia's Government Bank, Dr. L. C. Jauncey records the start of the Commonwealth Bank of Australia: "On July 15, 1912, with no subscribed capital and with assets of only £10,000 in the form of a loan from the Commonwealth Government, the Bank opened its doors to business." But during the First World War the Bank made available £350,000,000 for activities associated with the war. Replying to a deputation of unemployed on July 7, 1921, the Governor of the Bank, Sir Denison Miller, said he would do his best to finance Australia £350,000,000 for productive purposes.

The Australian press of July 7, 1921, Sir Denison Miller was reported as follows: "The whole of the resources of Australia are at the back of this bank, and so strong as this continent is, so strong is this Commonwealth Bank . . . Whatever the Australian people can intelligently conceive in their minds and will loyally support, that can be done." What Sir Denison Miller was saying was that a Bank which started with only £10,000 capital, was only able to create financial credit of £350,000,000 over the next eight years because this credit was issued against the real credit of Australia, its productive capacity.

By 1965 the Reserve Bank, which in 1960 took over the role of Central Bank from The Commonwealth Bank, had assets valued at $2,516 million. By the simple process of creating financial credit against the nation's real credit, and lending it as an interest bearing debt, the bank has acquired assets which are astronomical compared with the assets of

Australia's biggest companies like Broken Hill Pty. Ltd., Colonial Sugar Refining Company, the largest sugar producing company in the Southern Hemisphere, and General Motors-Holden. The Trading Banks have increased their assets in a similar manner. Another example of how assets are acquired through the power of credit creation is that of the Rural Bank of New South Wales. When the Chifley Government moved to nationalize the Australian banking system in 1947, the New South Wales State Labor Government reacted in 1948 by rushing through the State Parliament a short Bill which transformed the Rural Bank from a savings bank to a bank of issue—that is, a bank with the power to create credit.

The State Government did this under the States' powers over banking as provided in Section 51 of the Federal Constitution. In 1947 the Rural Bank had 58 branches valued at £663,715 and assets totalling £37 million. Within a few years of becoming a credit- creating institution, the Rural Bank had doubled the number of branches and its assets. This has been the pattern of development ever since.

All industries and businesses other than trading banks can only increase their assets by providing goods and services. But the power inherent in the creation of a community's money supply in the form of financial credit, loaned as the property of the credit creators, results in the banking system becoming an instrument throughout which the whole of the economic system is being progressively centralized.

There is no suggestion that those involved in the actual mechanics of modern banking are personally gaining excessive material benefits. Bank officials are certainly not over paid. Bank Directors do not draw excessive salaries and fees.

The basic feature of the banking system as at present operating is that although the system both creates and destroys credit (the cancellation taking place when loans are repaid), the total debt structure is progressively expanding, which means that the banking system is progressively increasing its lien on the real assets of every nation. Increasing debt means increasing taxation to meet interest charges. Increasing taxation helps to stoke the destructive fires of inflation.

A former Governor of the Bank of England, and a Directors of Vickers Ltd., Vincent C. Vickers, is one of those who realized the destructive nature of the present debt-credit system. In his book, Economic Tribulations (1942) Mr. Vickers warned of how the present system favoured the Communists, and other agitators. He wrote:

"This new factor (threatening even those operating the credit system) is the ogre of the world's stupendous money indebtedness to its own financial system. With every market short of purchasing power, the financial system set the whole world gambling on its future capacity to produce more and sell more and at the same time pay off its debts; and it is mainly the abnormal efforts of almost every nation to pay off, or even pay the interest bill on, its impossible debts, which have resulted in the present international confusion where each nation seeks to exchange its own produce for the money of other nations, but not for the produce. For money debts cannot be repaid by produce unless and until that produce has been exchanged for money; production is no value to finance except in so far as it may be converted into money; and the money industry, under the existing system, almost wholly depends for its prosperity upon the indebtedness of others."

Since this former Governor of the Bank of England issued his warnings, events have graphically confirmed them. The debt structure, both private and public, has grown enormously. The growth of centralization is inevitable as the smaller economic and political units collapse first under the debt burden and the continuing inflation it generates. They are allegedly "inefficient". It is significant that the Communists and their ideological allies, the Fabian Socialists, never attack the basic cause of the debt, taxation and inflation system.

They skilfully exploit the disastrous results of the system, both nationally and internationally. Wage earners suffering from an erosion of their purchasing power through inflation are diverted from taking action about basic causes, being told that inflation is caused by the "excessive profits" of industry, and that they should strike for higher wages, which can be paid out of the "excessive profits". The truth is, as can easily be demonstrated by looking at the official figures in the Commonwealth Year

Book, that total profits in industry, both primary and secondary, would, even if all distributed, bankrupting industry in the process, only provide a very small average wage increase—once!

Every increased wage award by the Arbitration Court increased immediately the wage bill of industry by millions of dollars. How is this financed? By the bunking system creating new credits by the method already explained, and providing them in the form of short-term loans to industry. But these increased wage costs must be recovered, if possible, in increased prices so that the loans from the banking system can be repaid. Increased prices must not only make provision for the loan, but also for the interest charges. The overall result is that wage increases merely stimulate a further increase in overall inflation, resulting in more strikes for still higher wages. The situation is ideal for the Communist conspirators in the Trade Union Movement.

Summary

This short study of the history and control of money reveals, how in the evolution of modern money system, the creation of the monetary claims to wealth has passed from the owners of wealth to the banking system, which by issuing claims to wealth as an interest bearing debt, claims in effect to own the nation's credit. The original conventions governing money creation have been carried through to the present time, with the trading banks everywhere now the mere instruments of centralized control exercised through the Central Banks' control of the volume of cash, this including the community's "small change" in the form of notes and coins, and Central Bank credit.

Centralized control of money, and the inflationary method of issuing it as interest-bearing debt, is progressively forcing economic and political centralization. The centralizing process is also taking place internationally through institutions like The International Monetary Fund and The World Bank. It is significant that the principal architect of these institutions, Harry Dexter White of the American Treasury Department, and the first American Director of The International Monetary Fund, was exposed as a top Soviet secret agent, and that he had the co-operation of Lord Keynes, the notorious British Fabian Socialist economist, whose

financial policies are designed to erode the free enterprise system. (The reader is referred to The Fabian Socialist Contribution To The Communist Advance, by Eric D. Butler, for further information. Price 45 cents from Box 1052J, G.P.O., Melbourne, 3001.)

Centralized control of credit places enormous power in the hands of those who claim it as their exclusive right. The modern money system is a most flexible bookkeeping system.

It is the responsibility of the Government to ensure that that system operates to serve the individual, not to enslave him in progressive debt and taxation. The efficiently operating banking system must be put on the basis where it performs the function of credit creation and cancellation on a service basis, with administration charges for this service being based on the real cost of operating. It is authoritatively stated that a charge of approximately one per cent, would provide the banking system with an adequate profit for its book-keeping services.

The responsibility of government is to ensure that a community does not go progressively deeper into debt through being forced to borrow its own credit, and that adequate credit money is made available to serve the community without inflating prices in the process. There are a number of ways in which this can be done, but it is the responsibility of government to insist that its appropriate experts devise ways and means to achieve this. If the present “advisers” claim they are unable to do this, they should be replaced with those who will. Unless a change in present financial policies is made along the lines suggested, it is axiomatic that the programme of centralization will continue, with an intensification of the problems being so successfully exploited by the Socialists and Communists.

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